Volume 10, No. 41 (Issue 406) October 27, 1980 ISSN-0110-6

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

National Business Review

Incorporating Admark

60 cents

Inside

Fletcher Challenge: whatever measure you use, it's huge

by Peter V O'Brien

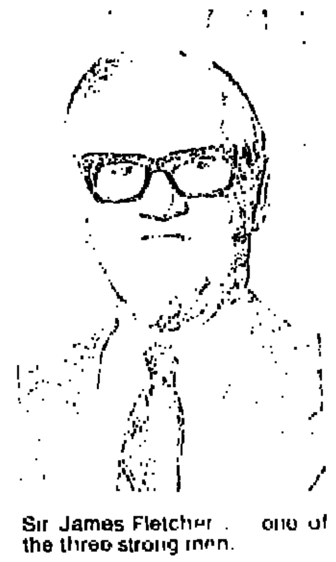
THE new Fletcher Challenge Corporation starts life with $1820 million in sales, shareholders funds of $482.5 million, and total assets worth $1357 million.

Those figures remove the "double-counting" of Tasman in the books of Fletcher and Challenge, and are calculated on the basis of the new share capital. They were obtained from Challenge last week as the official structure of the new organisation.

A table of each participating company's contribution is unable to be presented, due to the various adjustments, which would need a list of qualifying notes.

Ron Trotter . . . poses the alternatives.

Hugh Fletcher . . Government has "control"



Sir James Fletcher . one of the three strong men.

Press statements issued last week concentrated on market capitalisation (the number of shares on issue multiplied by the market price).

On that basis, Challenge's Ron Trotter and Fletcher's Hugh Fletcher said Fletcher Challenge would be only slightly larger than NZ Forest Products, and 6.4 per cent the size of Australia's largest company, BHP.

The market capitalisation argument is invalid when looking at the effective size of the company in relation to the New Zealand economy. If it were valid, then Trotter and Fletcher have to recalculate their figures, following the market rise.

The market capitalisation of $346 million quoted in the press statement is based on the relative value of new shares after the merger, and taken at close of business on Friday, October 17.

Fletcher shareholders would receive shares "worth" $1.58 (rounded from $1.57 and a fraction), while the Tasman and Challenge shares would transfer at $1.57.

If the calculation is done on the basis of share prices at the close of business on Wednesday October 22, the switch values are $1.77 for Challenge, $1.82 for Tasman, and $1.76 for Fletcher. That takes market-capitalisation up to the $390 million level on the basis of the new shareholdings. It is probably different today.

Market capitalisation is a valid indication of size. In relation to the gearing of a company, its ability to raise new equity capital on favourable terms to offset increased borrowings, and similar matters.

This will be important, because one of the company's goals is greater borrowing muscle on overseas capital markets. Its market capitalisation can be shown to international bankers as a solid base to lift equity if necessary.

Market capitalisation is also the market's indication of future prospects, returns to shareholders, yields and so on.

If the sales and shareholders funds are compared, the new company will be about three times the size of Forest Products in terms of sales, (adjusted for last year's strike loss) and *1.67 times on the basis* of shareholders funds.

In comparison with BHP it will be approximately one-fifth to one-sixth the size in both *categories, rather than the 6.4* per cent when market capitalisation is used as the criterion.

The proponents of the market capitalisation argument got *the message* across in various places, including the prime ministerial suite, because Rob Muldoon, speaking on Thursday morning's *Midnight Report* quoted those figures of comparative size.

Fletcher Challenge is an extremely large organisation in the context of the New Zealand economy. *It could be argued* that a company one-fifth the size of BHP in an economy one-fifth the size of Australia (both figures approximate) has a *greater influence* on economic activity, because there are fewer sizeable groups to offset its impact.

Size by itself does not rule out such a merger. Trotter and Fletcher are correct when they say a large company can make a greater impact on the international scene in terms of financing New Zealand's development projects.

Trotter put this in context at Wednesday's press conference when he posed the alternatives: multi-national companies, State investment, or a New Zealand-owned group.

But size is relevant to economic power, and to who wields that power. Conventional wisdom says the shareholders ("thousands of small New Zealand investors") will have the power.

An intersting theory, but it has no *practical application.* The financial institutions will be the large shareholders, and the rest of the shares will be spread among the public, probably with the spread increasing as the group develops its activities.

The board of the new group will decide what happens on the basis of information provided by executives. In Fletcher Challenge, with respect to all the people involved, that is effectively the three strong men of the organisation, Ron Trotter, Hugh Fletcher and Sir James Fletcher.

Hugh Fletcher said the Government and the public servants decide any major investment in New Zealand, and therefore they have "control".

True, as seen in the argument on the methanol plant (which finally went to a joint venture, including a New Zealand State corporation), if we are talking about "big" as opposed to "giant".

Hugh Fletcher knows as well as anyone else that political power grows out of economic power, to quote one of my erstwhile colleagues.

These organisations already have considerable access to the political and administrative system. When they put Fletcher Challenge together they can claim to be a massive New Zealand group, capable of doing various projects as against overseas companies. By definition that means they *have a high level of political* **power.**

Continued on Page 12.

The week

Skybus probe

THE Securities Commission will investigate doubts that the Skybus venture is being properly explained to the public.

GOVERNMENT Junior Whip Dail Jones resigned at last week's Caucus meeting.

THE FOL is optimistic that work will soon be resumed on Auckland's Mangere Bridge and the BNZ headquarters' site in Wellington.

TELEVISION New Zealand will have a single director-general. Alan Martin, presently director-general of the production division, will fill the post and the present director general of the Network division, Alan Morris will become deputy director-general.

A TOBACCO Growing Industry Amendment Bill was introduced by Trade and Industry Minister Lance Adams-Schneider to put the responsibility of disposing above-quota harvests solely on the producer.

CONCERN was expressed at the declining trade with Japan at the New Zealand-Japan Businessmen's Conference in Tokyo.

PAPUA-New Guinea proposed to delegates at the 20th South Pacific Conference that a new regional political alliance be set up to look after the interests of South Pacific countries.

POLICE Minister Ben Couch ruled out the possibility of police officers refusing guard duty at next year's Springbok games for moral reasons.

RANDOM checks will be made on social welfare beneficiaries from March 1.

DEPUTY Prime Minister Brian Talboys returned from his European tour expressing confidence in New Zealand's future butter access to the EEC.

GOVERNOR-General Sir Keith Holyoake was farewelled at Parliament and the Wellington Town Hall in his last public appearance as a Governor-General.

The business week

Ampol Exploration Ltd reported an unaudited tax-paid profit of $A11,769,000 for the year to September 30 (A6730 last year). A final dividend of 5c is payable on December 1.

Auckland Gas Company Ltd will pay an interim dividend of 6c on November 11 for the year to March 31.

Brierley Investments Ltd reported an unaudited tax-paid profit of $6,821,000 for the year to June 30 ($4,357,000 last year). A final dividend of 11 per cent is payable on November 27.

Canterbury Roller Flour Mills Company Ltd reported an unaudited tax-paid profit of $31,358 for the six months to June 30 ($30,919 same period last year).

Christchurch Press Company Ltd reported an unaudited tax-paid profit of $358,009 for the six months to September 30 ($263,171 same period last year). An interim dividend of 5 per cent is payable on November 11.

Credit and Investments Ltd (an **L D Nathan & Co Ltd** subsidiary) reported an audited pre-tax profit of $305,342 for the year to July ($294,351 last year).

Feltex NZ Ltd will be offering owner-operated franchising for its **Personality Furniture** subsidiary.

Fletcher Holdings Ltd is to take New Zealand's first trade delegation to Japan in the next few months. The 14-man mission will be led by Fletcher chairman, Sir James Fletcher.

Goodman Group Ltd will invest about $2 million in the **Saudi New Zealand Capital Corporation Ltd.** Prince Nawaf of Saudi Arabia has a 50 per cent interest in this $20 million company and the **Development Finance Corporation** 25 per cent.

Marac Holdings Ltd bought a 50 per cent holding in **Midland Coachlines Ltd-Tasman Rental Cars Ltd** — a wholly owned subsidiary of Midland Coachlines Ltd, subject to Commerce Commission and Overseas Investment Commission approval.

Motor Traders NZ Ltd reported an audited tax-paid profit of $290,678 for the year to July 31 ($244,689 last year). Final dividend of 3c on ordinary shares and 12c on preference shares is payable on December 16.

New Zealand Light Leathers Ltd reported an unaudited pre-tax loss of $1.2 million for the six months to June 30 (Loss of $52.578 same period last year).

New Zealand Railways will be supplied with 200 containers by **Daewoo Industrial Company Ltd** of South Korea. The order is worth $2 million.

New Zealand United Corporation Ltd reported an unaudited tax-paid profit of $790,000 for the six months to September 30 ($400,800 last year). An interim dividend of 12c is payable on December 19.

UEB Industries Ltd appointed Philip S Yates as deputy chairman.

The week ahead

TUESDAY: Grassland Association conference in Greymouth.

Lands and Agriculture select committee looks at the Primary Produce Marketing Regulations Bill.

Statutes Revision select committee looks at the Sale of Liquor Amendment Bill and the Credit Contracts Bill.

Reid Farmers' annual general meeting in Dunedin.

Crown Consolidated annual general meeting in Wellington.

WEDNESDAY: Commerce and Energy select committee looks at the Petroleum Amendment No 2 Bill.

Labour and Education select committee looks at the Education Amendment No 2 Bill.

Lands and Agriculture select committee looks at the Poultry Board Bill.

Local Bills select committee looks at the Chatham Island County Council Empowering Bill and the Racing Amendment Bill.

Petitions committee hearing.

Public Expenditure Committee hearing.

Statutes Revision committee looks at the Sale of Liquor Amendment Bill and the Credit Contracts Amendment Bill.

THURSDAY: James Smith's annual general meeting in Wellington.

FRIDAY: Dalgety NZ Ltd's annual general meeting in Wellington.

Farrier Waimaks' annual general meeting in Christchurch.

Montana Wines' annual general meeting in Auckland.

Economic indicators

IMPORTS exceeded exports by $87 million in September according to preliminary trade figures.

RETAIL sales for August were worth $628.4 million, an increase of 12 per cent over August 1979.

Exchange rates

AS at October 23 NZ$1 selling for:

Britain	4014
United States	.9757
Canada	1.1433
Australia	.8541
Fiji	.7654
Austria	12.52
Belgium	28.99
China	1.4552
Denmark	5.5634
France	4.1729
Greece	42.22
Hong Kong	4.8976
India	7.4559
Ireland	.4822
Italy	853.51
Japan	203.13
Malaysia	2.0679
Netherlands	1.9557
New Caledonia and Tahiti	75.73
Norway	4.7835
Pakistan	9.5131
Portugal	49.42
Singapore	2.0141
South Africa	.7264
Spain	72.67
Sweden	4.0947
Switzerland	1.6149
West Germany	1.8092
Western Samoa	.8655

"Mrs. Kondria again? Tell her you're a recording."

The week

Aussie firms applying to prospect southern shale

by Rae Mazengarb

AUSTRALIAN interests have applied for prospecting licences in South Island areas for oil shales and lignites suitable for the production of crude oil and — in the case of the lignites — gas recovery.

Cue Minerals N L and Cue Minerals (NZ) Ltd have applied for coal prospecting licences to develop oil shales in the Nevis Valley in Otago, and lignite deposits in the Wedderburn vicinity, Central Otago.

A former associate company, Petro Quest Pty Ltd (now Australian Shale and Coal NL) has also applied for licences to develop oil shales in four prospective areas in Southland and Central Otago.

Co-ordinator of the projects on behalf of the companies, geologist Colin Glazebook, was in the country last week to discuss the mining prospects with Energy Minister Bill Birch.

According to Glazebrook, the Minister was optimistic about the potential for the discovery of large deposits of oil shales.

If Cue Minerals is successful with its applications, it will begin the long process of evaluating the deposits for:

- Release of oil and gas from oil shales and lignites;
- Coal-to-coal conversion.

In a lengthy document detailing the prospect areas, the exploration programme and the technologies appropriate to both oil shale development and coal-to-oil and coal degasification, the company argues its case for a slice of the action on the New Zealand energy front.

The report says Cue Minerals "is well aware of the problems both in technology and environmental factors as well as the cost of developing these types of deposits.

"With the increasing costs of normal crude oil and its problems of reliable supply for New Zealand in particular, it must be stressed that an indigenous synfuel industry is a very attractive commercial proposition once the initial problems have been overcome.

"Cue believes it has the enthusiasm and ability to organise and bring this about in the areas it is applying for, and looks forward to the challenge."

Cue has applied for a coal prospecting licence covering 25 square kilometres in the Lower Levis Valley. Oil shales were discovered there in 1920, but have been the subject of only minor investigation.

The company says the Nevis oil shales have the advantage of being enormous in size and lacking in overburden which permit open cast mining methods.

The disadvantage of the shale is its low oil yield.

But a DSIR report, dated 1974, suggests reserves in the area could amount to 280,000,000 tonnes.

That report pointed out that the economics of mining the area appeared submarginal in the 1960s when oil prices were low, but suggested the deposits "will become much more interesting if American work on underground, in situ extraction is successful . . ."

The DSIR report said: "The Nevis Valley oil shale and coal deposits could be of considerable long-term interest in relation to New Zealand's future supplies of oil."

Other reports (published and unpublished) cited in Cue Mineral's paper similarly point out that, although low in grade, the oil shales are extensive.

Cue is also optimistic about potential large lignite deposits in Wedderburn, Central Otago.

The company says these lignite deposits could be suited to degasification in situ techniques as well as conventional mining.

Studies would be undertaken on the possible use of the lignites in coal-oil liquifaction, it said.

The Australian company outlines a two-year programme designed to evaluate coal basin prospects within New Zealand from the geological appraisal to the final decision at the end of the period.

The paper's conclusion notes New Zealand's potential for synfuel development, and points out that Cue has selected two exploration areas for the development of two alternative energy projects, to produce much-needed energy required for the country's future.

Similarly, Petro Quest details the exploration profile and the potential of its four areas for oil shales suitable for the production of crude oil.

It concludes: "The company considers the challenge worthwhile and potentially rewarding."

Some sources suggest that, even if the licences are granted, it will be some time before the companies will be in the position to even contemplate applying the mining licences.

But Glazebrook appeared enthusiastic about the prospects last week before he returned to Melbourne

Merger coincides with major reconstruction

by Rae Mazengarb

WASHDYKE tanner New Zealand Light Leathers — whose accumulated losses now stand at over $2 million — last week announced a major capital reconstruction and a merger with British Vestey interests.

The company will merge with Hastings-based tannery business Amalgamated Products Ltd, an associate of W and R Fletcher (NZ) Ltd, and a subsidiary of the Union International Company.

Shareholders will be asked to consider a resolution to reduce the capital of the company to more closely reflect existing shareholders' funds. It will involve reducing the nominal value of the shares — fully paid to $1 — to 50 cents.

The announcement came as no surprise.

Rumours had been circulating three weeks ago about a prospective buyer for the company, and further restructuring was discussed by a recent special board meeting (*NBR* October 6). The meeting coincided with the New Zealand visit of an executive from W and R Fletcher, whom sources had suggested was interested in talking to NZLL.

NZLL chairman Jack Hazlett — previously unavailable for comment — later expressed interest in learning our sources, but refused to comment on the report.

"We want the right announcement to come out," he said, referring to a company statement which would be forthcoming.

The statement — released last week — reported an unaudited loss for the company last year of $1,200,000, a loss which the directors said reflected the difficult trading conditions worldwide.

It had proved impossible to recover costs such as raw material costs in a declining leather market, the statement said.

The formation of an association with an international group would allow the company to benefit from the world-wide marketing organisation of the Gomshall tannery, subsidiary of the Union International Company — a major purchaser of New Zealand pelts.

According to the statement from the directors, the board proposes to issue 3 million shares to Amalgamated Products Limited and to pay them $500,000 over a five-year period in exchange for the Hastings Tannery assets.

The merger is subject to various consents, including the Commerce Commission, Reserve Bank of New Zealand, British Treasury, and the shareholders.

A letter to shareholders, explaining the merger, went out last week.

Through its W & R Fletcher links, NZLL will become part of the huge investment portfolio of the British Vestey family — alleged in the British press to have avoided paying income tax in Britain by transferring income to trustees living abroad.

Vestey has a number of investments in New Zealand, directly and through wholly owned, overseas subsidiaries — the most prominent being W & R Fletcher. Vestey also owns 42 per cent of Blueport ACT (NZ) Ltd, the country's largest container shipper, and the Albion Insurance company, which trades here.

The week

Study extended to electronics manufacturers

by Allan Parker

RADIO and television manufacturers are on the same wavelength as Government officials on the first stage of the departmental study into the consumer electronics industry.

But because the Trade and Industry investigators see little growth prospects for consumer electronics, particularly as colour television production appears to have peaked, the scope of the study has been enlarged to encompass the growing number of commercial and industrial electronics manufacturers.

While the officials see this as the only area for potential expansion, centred around export sales, the radio and television manufacturers remain cautious about prospects in that field.

One industry source said: "The officials are really pushing this. They see the industrial/commercial electronics field as one big lucrative area.

"But if it was such a lucrative field, somebody would have been into it by now. Private enterprise, by its nature, would have found it if it was there."

With agreement reached on the first stage of the study — a profile which draws up a picture of the industry within the New Zealand economy — officials will move on to the total electronics industry sector and also draw up development plans for the consumer electronics sector for the Cabinet Economic Committee to consider.

NBR understands that the final agreed profile differs markedly from an earlier leaked version which contained threatening undertones about the value of the industry and its protected environment.

The version that has produced agreement is believed to be more positive about the consumer electronics industry and its contribution to the economy.

The radio and television manufacturers have so far been in tune with departmental thinking, to the extent that they recognise the increasing potential in other fields.

At this year's annual get-together, the Radio and Television Manufacturers' Federation proposed a name change to the Electronic Manufacturers' Federation. Its executive officer Paul Bardwell said this reflected a recognition that the consumer electronics people can no longer claim sole knowledge of the electronics field.

"Also the big six companies of the federation (Philips, Pye, Thorn, Allied Industries, Atlas Majestic and Autocrat) are getting into industrial electronic development anyway." A broader base would also, of course, beef up federation membership.

Such a move, if attractive to outside companies, could bring successful companies such as Marton's Production Engineering and Gallagher's, Hamilton-based manufacturers and exporters of sophisticated electric fences, into the fold.

The radio and television companies believe there is still potential in the consumer electronics field with developments such as video cassettes and viewdata terminals built in to colour television sets.

Meanwhile, the industry is awaiting publication of the results of a DSIR survey into the total electronics industry.

The DSIR earlier this year canvassed some 300 companies to gather scarce information on the sector, which has grown dramatically in recent times.

It hopes that the DSIR report and the expanded study by Trade and Industry will indicate potential growth areas for investment and still leave them to operate freely in the consumer field.

German plastics delegation makes lightning visit

by Rae Mazengarb

A DELEGATION of West German plastic manufacturers' representatives arrives in Wellington late this week for a lightning look at the latest developments in local industry.

They are all members of the plastics division of the Association of German Engineers, the equivalent of the Plastics Institute of New Zealand (PINZ).

Here for just two days as part of a study tour of Canada, America and Australia, the 20 or so chief executives will be watching for opportunities for joint ventures with local companies, *particularly* for the *transfer of technology*.

Arranging the stop-over, consultant Lewis Gyson admitted the visit was a short one, but said the businessmen would be well briefed by their arrival on November 2.

They will meet Trade and Industry Minister Lance Adams-Schneider before visiting plastics manufacturers in the Wellington area.

Further discussions on the range of products and techniques developed by local industry will be carried out at two major functions on the Monday — a luncheon organised by the Manufacturers Federation, and a dinner hosted by the Germans.

The dinner will be attended by Trade and Industry heads, the German ambassador, Manufacturers Federation President Ian Douglas, Industries Development Commission chairman Ted Tarrant, PINZ representatives including president John Mason, and executive officer Bruce Dunlop.

The New Zealand port of call was arranged only recently and plastics manufacturers confessed last week they were in the dark about who was coming and what their objectives were.

But Mason said he understood none of the "petrochemical giants" would be among the group.

Asked if he saw future opportunities for joint ventures between local and German manufacturers, Mason pointed out that there were already several such arrangements, with Germany equity participation and technology licensing.

Gyson's company, Euro-Gyson Ltd, acts in a consultant-research capacity for European firms. He believes New Zealand and West German plastics manufacturers should work more closely together — particularly in the area of technology transfer.

He said local companies could concentrate their efforts on developing plastics products for horticulture and agriculture generally, for example, irrigation packages.

In turn, the Germans could advise local companies on technological developments in the chemistry of plastics, Gyson said.

The Germans too, could profit from "our good relationship in South-east Asia", Gyson said, referring to potential markets in the area.

Skybus ads fly into flak

by Gordon McLauchlan

THE Skybus man, Matt Thompson, is having trouble getting his message off the ground, let alone any aircraft. The *NZ Herald* refused "chocks away" to a half-page advertisement for Skybus's Aqua-Avia Society (the advert had been carried by *The Dominion*).

The *Herald* said the advertisement did not carry enough information to support the coupon which solicited membership fees (for up to \$150). Thompson dropped the coupon and the *Herald* decided the Securities Commission quibble about the amount and type of information in the ad still disqualified it from being fit for the tender eyes of its half-million readers.

Thompson says he submitted another half-page ad with a picture of a DC-8 in Skybus livery bearing the message: "Skybus your new airline . . . Kiwis can fly again. How do you like the idea of New Zealanders joining together to fly again?" That, he says, was rejected.

But *Herald* advertising manager John Ellison says he never saw that ad. So it seems the Skybus ad will never fly in the *Herald*.

Thompson says about 3000 coupons have been received back from other advertisements round the country, but not all of them with money.

He believes the media have been preoccupied by the domestic service Skybus has proposed, whereas it is now more likely that the international charter services will start first — before Christmas, in fact.

Will he need to get the Government's permission at each end of international charter flights? "No because we are affinity clubs".

But won't the Government transport agencies need notification and to give approval? "Permission is a formality. You advise them that you are coming".

Comment

Editorial

SUCCESSFUL palace coups are typically short, sharp, decisive affairs (as Sergeant Doe, for example, effectively demonstrated in Liberia earlier this year). It's a lesson that failed to be heeded by those National Party MPs — among them, a handful of Cabinet Ministers — who have been meeting late at night in recent weeks to discuss the leadership style of Rob Muldoon, and have made overt their dissatisfaction. There is no doubt they conspired to have him displaced — by whom is of academic interest. The simple fact is that, when Muldoon emerged from the party's caucus meeting last Thursday, he was still the Prime Minister. The only change that had been effected — at least, so far as the public could see — was that Dail Jones had resigned his post as deputy whip, on a matter of principle unconnected with the leadership controversy (he objects to legislation that will abolish adultery as a ground for divorce).

Perhaps the country should be grateful that the rebel MPs failed to win the leadership reins. If their efforts to organise a coup while Muldoon was overseas for six weeks (and thus was unable to muster support) are any indication, they would scarcely be fit to organise the rejuvenation of an economically dissipated nation. As it happened, they telegraphed their intentions and gave Muldoon ample opportunity to rally support on his return. (And as one party source confided: who would want Christ's College to run New Zealand? — a reference to the silver-spoon element within the rebel faction).

But the country can take scant satisfaction from Muldoon's personal triumph. His record is one of dogmatic determination to impose his will and of divisive indifference to the legitimate demands of significant portions of the electorate on a number of issues. At a time in our history when we desperately need a leader who will unite the country, the Government caucus has re-endorsed as Prime Minister a man to whom compromise seems to be anathema — a man whose inclination is to divide and rule.

His style has not only split the country; it has split the party. And at the very time he should have been applying a salving balm to the resultant wounds within his caucus, he was talking scathingly of "wet-behind-the-ears" colleagues. Those criticisms appear well justified; but if he lacks the grace to reunite a shattered party, what hopes can be held for the rifts in the broader community?

Criticisms of Muldoon's leadership have been levelled both be the party organisation and the Parliamentary wing. Nine MPs put a number of clear demands to him last Tuesday: they wanted tax reforms; a more positive commitment to freeing the economy from Government regulation; an end to *ad hoc* economic policy-making; projection to the public of the Government's development strategy; a Cabinet reshuffle; an end to trivia and confrontation of which Muldoon is a master. In broad terms, I would support the fundamental thrust of those demands. The reservations expressed in this column about aspects of the development strategy, for example, might be dispelled if that strategy was to emerge from the crucible of public discussion and debate, rather than be thrust on us from arrogant politicians.

It is unlikely, of course, that Muldoon is capable of changing his leadership style, of showing more willingness to respond to informed opinion in shaping policy directions. Backbenders nevertheless are urging party members to suspend judgment on his capacity to change. They want time to demonstrate the efficacy of the new-found leverage that they claim they can exercise.

They say they have frightened Muldoon and can do so again. I doubt it. And unless the electorate does see positive results from last week's events, it will share that doubt. Its attitude will be reflected in the polls at the next election.

There is more to all this than winning and losing elections, however. What is at stake, more importantly than the fortunes of the National, Labour or Social Credit parties, is political stability. So long as the National Party is divided and at odds with its leader, a significant portion of the electorate increasingly will turn to Social Credit not because it shares Socred viewpoints but through sheer frustration with the alternatives.

The results are discomfortingly predictable. The 1980s — what few months have gone by — have been unsettling enough without the National Party gratuitously feeding that uncertainty.

A business community whose interests traditionally have been championed by the National Party must have wondered, as it bemusedly observed the convulsions of the last week, just what has been accomplished.

No doubt some businessmen were among those who flooded Muldoon's office with expressions of support. His no-nonsense style has certainly won a great many admirers over the years. But much of the Muldoon magic was given popular legitimacy by an aura of economic wisdom and personal strength of character that stemmed from imagery. These apparent strengths have been seriously eroded by National's economic performance and by the challenge (albeit abortive) from Muldoon's colleagues. Most businessmen — anxious for the economic climate to become settled sufficiently for them to plan confidently and ambitiously — must now despair while asking themselves if we can afford a leader with whom a significant portion of the National Party has become profoundly disenchanted.

— Bob Edlin

Without word of a lie

Not commenting for fear of vested interest

COMPANIES such as Newztel and Telpac, which are offering electronic information services, are curiously reticent about revealing information on themselves.

NBR has strived to bring them out in the open to talk about their projects, the technologies involved and the people behind them. We have been rebuffed.

Replying to the latest of our inquiries, Telpac chairman Bruce Grierson last week explained his reasons for the "no comment" stance.

"We are not satisfied that the inquiry is not a fishing expedition by Reg Birchfield and the *National Business Review.*"

Asked what he meant, Grierson referred to our "interest" in viewdata. He said that while his people did not feel they were competing with Fourth Estate's viewdata proposal, we might think otherwise. (Fourth Estate, which publishes *NBR*, registered a new company — New Zealand Videotex Systems Limited — earlier this year, for the purpose of promoting a business viewdata service in New Zealand).

"We can't treat (the question) as a straight news inquiry," Grierson said, referring to a request for details of the people involved. But he did say that "a news service will be provided by computers having a real time capability".

If industrial espionage really was our intention, we have been hamfistedly overt about it — and we were going to public our findings to let everyone in on the secret.

Furthermore, if we were fearful of their competition, we wouldn't toss them this advice: Their reticence has not gone down too favourably in some quarters — particularly with those who note that the viewdata interests fronted up publicly with all details relevant to their proposals.

Communication a weighty matter

GIVEN the fact we're not perfect in ensuring that no misprints slip into our news columns, and remembering that those who live in glass houses shouldn't throw stones, we're perhaps being unduly pinpricking in bringing this item to the attention of our beloved readers. But one of our contracts, out there in the business world, was wryly amused by his invitation to the Wellington Chamber of Commerce Small Business Development Centre for a seminar called Open Communication, on the art of communication in job security.

The discussion, said the invitation, would be "lead" by Alan R Simm, who is designated executive vice-president in charge of business education.

The truth about Mexican manăna

PERHAPS with an eye on the worsening political situation back home, the New Zealand delegation to Mexico was quick to trumpet a major deal to supply the Mexicans with milk powder. Grand visions of moving mountains of milk powder across the Pacific were fed back to the nation.

Behind the cheery news, however, lies the fact that no contract was signed. Rather, the deal was merely an alteration in a supply contract the Dairy Board has had with the Mexicans since 1973.

The Mexicans have agreed to change the basis of payments for supplies of Kiwi milk powder by picking up the freight bill. Previously, we have sold on a cif basis, now it will become fob.

The good news for us is that the price advantage for North American, Irish and European producers is now removed. For the Mexicans, the new deal strengthens their own hand by giving them a southern hedge and spreading their sources of supply.

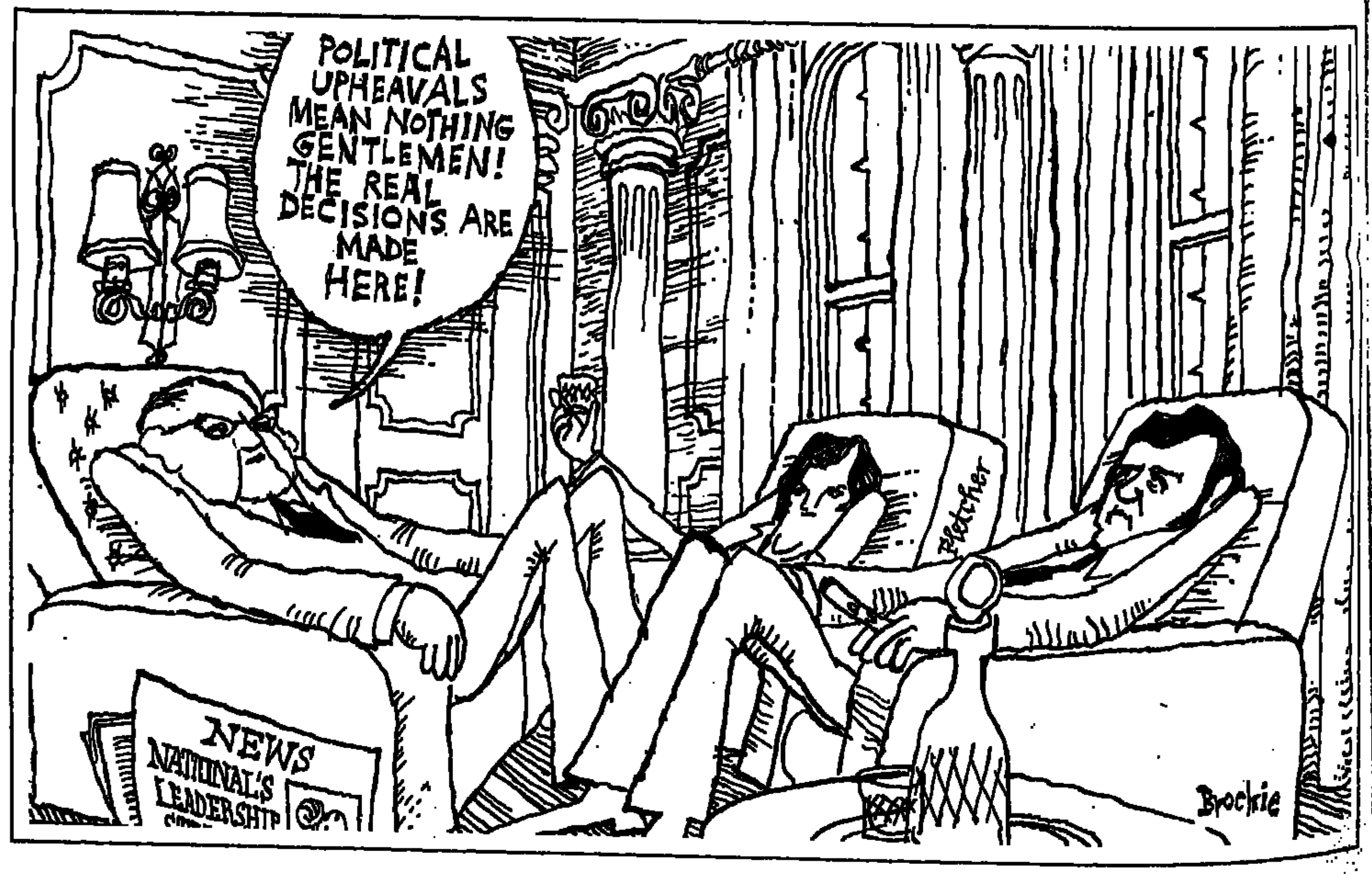
Suggestions that the recent agreement signals a dramatic breakthrough for New Zealand and heralds massive new milk powder sales are simply not true, according to industry sources.

And they point out that quantities for the coming year have not yet been set.

Negotiations like these are conducted for months and even years before a suitable occasion such as a State visit is found to make a public announcement.

But our sources are puzzled about why the official announcement was used to create a misleading — but very favourable — impression.

Brockie's view



NATIONAL BUSINESS REVIEW
Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F Grant
General Manager/Accountant: Stephen Underwood
Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor.
News & Features:
Colin James, Rae Mazengarb, Stephen Bell, Jack Hodder, Allan Parker.
Contributing:
Finance: Peter V O'Brien
Auckland Bureau:
Warren Berryman
Gordon McLauchlan
Advertising Sales:
Manager: Paul A C S Loh
Promotions:
Manager: Kathi Scott
Circulation:
Manager: Jan Chee
Auckland Office:
2nd Floor, Leviens Building
Cnr Airedale & St Paul Streets, Auckland
Tel: 799-304
Wellington Head Office:
Fourth Estate Newspapers Ltd
15 Blair Street, Wellington NZ
PO Box 9344
Tel: 738-876
Cables: Natbus
National Business Review incorporates *Admark* and is a registered publication weekly (except for last week December and first two weeks January).
Typeset and composed by Computype Services Ltd, Wellington. Printed by R Lucas & Son Ltd, 118 Kapiti Road, Paraparaumu.
Single copies: 80 cents
Subscription rate: NZ$30
Member ABC (Audit Bureau of Circulations)

Comment

Putting some structure into the buzzword debate

by Brian Easton

"RESTRUCTURING" has become a buzzword among politicians, political journalists, and even the person in the street. Very few of them appreciate that there is an underlying concept; nor do they appreciate the context in which its use originated in New Zealand economic discussions.

The notion of structure is a well established economic idea. The view that New Zealand had the wrong economic structure occurred shortly after the 1974 economic downturn. I was publicly referring then to "the structural imbalance in our balance of payments", an allusion to a similar debate in Britain in the 1960s in which I had peripherally participated. The concept was also being used in Australia in the early 1970s.

By 1976 the notion had entered the more reflective official economic policy literature, including Brian Talboys' (excellent) speech to the National Party in 1976, the Monetary and Economic Council report of October 1976, and Treasury official David Preston's speech to the August economists conference in 1977 (subsequently published in *New Zealand Economic Papers*, 1978).

I have no wish to claim precedence for the notion as applied to New Zealand. (Indeed, they who do make the claim might contact me, because I plan to write a study of economic policy-making in the 1970s.) What has to be pointed out, however, is that, in contrast, the "more market" advocates were not using the concept until much later.

For instance, the New Zealand Planning Council's report published in March 1978, *Planning Perspectives 1978-1983*, does not use the concept. Rather it writes of "reshaping the economy". Its subsequent publication in October 1978, the *Future of New Zealand Agriculture*, written by Ian McLean and often used as a reference by more marketeers, does not use the concept.

It was not until 1979 that the more marketeers advocated restructuring.

This disjunction is understandable if we reflect on what the notion of restructuring entails. There are *three distinct ideas:*

(1) ***That an*** **economy has a structure.** A structuralist believes that an economy has an underlying framework, that parts of the economy have a relationship with other parts and that these parts and the relationships are relatively rigid.

A marketeer believes there is a much greater degree of economic flexibility, although they might believe there is inflexibility arising from unnecessary political and social intervention;

(2) That at present the economy has the wrong structure. I would think this is evident to a structuralist. I do not know what it means to marketeers since they have no concept of structure. This point involves a delicate political problem, because it raises the question as to why the economy has the wrong structure;

(3) That measures have to be taken to change the structure. At that point, the political problem becomes acute, because we might ask why the economic managers of today, who after all are usually the managers of the past or their heirs, did not take measures much earlier. We may give the prize in New Zealand to he who comes second in the race as an incentive to mediocrity, but this lot were in the back half of the bunch.


Ian McLean . . . does not use the concept

As I have stated elsewhere, the more marketeers are a bit intellectually soggy, leaving numerous questions unanswered. Indeed I believe they have misled the Government into adopting policies which predictably were going to fail through unacceptable political consequences.

For instance, the refusal of the more marketeers to discuss market power and the social control of monopolies has left the Government tarred with the brush of being in the hands of the multinationals and big corporations, while neglecting the medium and small businesspeople and the farmers.

In a fair race between the financier and a garage proprietor, I know who the electorate will back every time.

Moreover, because they have no feel for the structure of the economy, the more marketeers have lamentably been unable to articulate the economic successes we have been having. The result is that the Government has been left stranded with its publicly prominent failures, but without any recognition of its success. (Let me confess that my standard public lecture dwells on these achievements, after having criticised some of the Government's crazy policies, such as over-emphasis on large-scale projects. You can feel the audience's optimism rise as restructuring is illustrated with successful examples.

I am then invariably asked why the Government has not been telling us of its triumphs, to which I have to answer that the Government doesn't seem to know what it is doing — good or bad.)

Far be it for me to try to stiffen up the intellectual basis of the more marketeers, but might I suggest that they could more appropriately refer to "modernisation" which is the need for changes in political and social institutions. You might call it political and social restructuring.

I notice that Deputy Finance Minister Hugh Templeton has used the term modernisation in some of his speeches; perhaps that is the merit of being a history graduate.

But let me not finish by leaving the more marketeers up the creek or, in the Wellington vernacular, still "getting their act together". Instead I briefly summarise a structuralist view:

(1) New Zealand is suffering a structural imbalance as a result of a change in the world economic environment which began in the mid 1960s, compounded by the economic and social rigidities inherent in a modern society, plus unnecessary political rigidity;

(2) By the wrong structure it is meant that we are producing the wrong products, with the wrong technology, even in the wrong place, and often for the wrong markets;

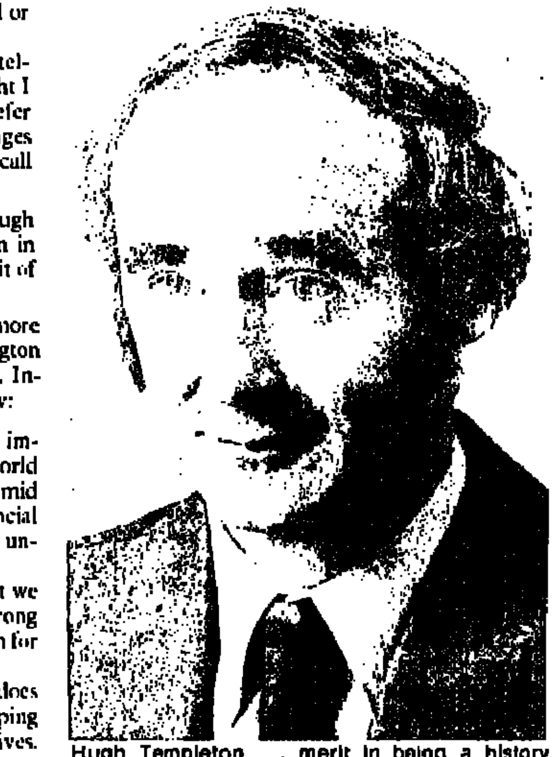
(3) Restructuring means changing this. It does not mean destroying jobs and firms and hoping that an economic miracle will create alternatives. The relevant concept is redeployment not unemployment;

(4) There has been substantial restructuring over the last decade. The easy illustration is the farm sector;

(5) Nonetheless further restructuring is necessary, with greater emphasis on import substitution, labour intensive technologies, and higher investment productivity;

(6) While some large projects have a role in future development the structure of New Zealand is basically one of small and medium size enterprises which must carry the main burden of development;

(7) The market is a powerful instrument of economic management. However to use it as the sole instrument is like restricting yourself to building a house with only an axe. What is needed is a new economic mechanism based on decentralised planning which uses the market as one of its means of economic regulation.


Hugh Templeton . . . merit in being a history graduate.

If we can think of restructuring in these terms, it ceases to be a buzzword, and instead becomes a positive way of looking at the development of the economy.

BRIAN Easton is lecturer in economics at Canterbury University.

Letters

Restorative reforms?

IN his article Bettering Mrs Thatcher (*NBR* October 6) your economic correspondent refers to strict monetary reforms applied by the Thatcher Government which are "more sensational but less restorative" than those introduced in New Zealand.

It is not clear what those reforms are supposed to be or why monetary conditions in either country are supposed to be restorative.

Like the Muldoon Government, Mrs Thatcher promised large public spending cuts if elected. But her penchant for building up the country's military strength has led to a budget deficit greater than the previous Labour Government managed.

The interest rates needed to finance the resultant public sector borrowing requirement has not exactly had a restorative effect on the economy — rather the opposite. Companies have been squeezed between falling export revenues because of a high exchange rate and high borrowing charges, as well as being undercut by cheap imports. The consequence is a trail of bankruptcies anc redundancies.

In New Zealand the situation is somewhat similar with the Government having to borrow to pay for an extravagant and unwanted pension scheme equal to some 6 per cent of the country's GDP, except that in New Zealand the Government chooses to borrow the deficit from overseas thus inflating the money supply and dislocating the economy.

The message seems to be clear — unless Governments are prepared to live within their budgets and pay for their pet projects out of revenue and not from borrowing we will continue to see disruption to the economy. If Government expenditure equalled its revenue there would be no need for it to borrow and hence interest rates would be set completely by market forces and not by Governments.

G B Churchman
Reading
England

Pleading the right of appeal

WE have read with concern the Kiwifruit Marketing Licensing Authority letter on the subject of export marketing of kiwifruit, (*NBR* October 6). The letter is a distortion of the facts and the fact that a statutory body such as the authority should see fit to act in such an irresponsible manner should concern all those associated with the kiwifruit industry.

Our criticism of the authority revolves around its continued refusal to give reasons for declining to issue export licences. The fact that there is also absolutely no right of appeal for a new licence applicant means that new applicants, who over the past three years have in the main consisted of some of this country's largest and best-known export companies, have no further means of redress insofar as refusals of their licence applications are concerned.

We contend that if appeal provisions for new licence applicants were written into the regulations, then licence decisions would be made properly, full reasons for refusal would be given, and applicants qualified to competently extend the total export marketing effort for New Zealand kiwifruit would have the opportunity to do so. With a 700-800 per cent increase in production forecast by 1990 we consider it vital that this marketing effort be substantially increased now — not later when it will be too late.

The KMLA letter attempts to defend the presence of exporters on the authority. We do not disagree — in fact we would prefer to see marketing policy being determined solely by exporters who after all have the expertise and the final responsibility. We do, however, object strongly to these exporter representatives having any part of discussions or decisions on the question of licensing their potential competitors. We find this situation quite extraordinary.

It is stated that the KMLA was formed at grower's request. This is incorrect. The Government insisted that some overall controlling body be formed and that if growers did not come up with an acceptable proposition then the Government would do it for them. Under this type of veiled threat the growers did indeed respond and made submissions for the formation of an authority but the final draft of the regulations was never referred back to them for final approval. The result has been a much narrower and more restrictive body than was ever envisaged by the majority of the growers.

A grossly misleading statement in the KMLA letter occurs when they state that nine out of 22 applications were successful last year. In fact the nine are merely the "original" exporters who have always held a licence simply, it seems, because they have had a "history" of exporting kiwifruit.

The only reason their annual applications for re-issue of licences are successful is that appeal provisions do exist for current licence-holders whose licences are revoked or not renewed for any reason. The authority knows full-well that they could not substantiate a decision not to renew if the decision was appealed against, as would most certainly be the case.

The final point raised was the statement that the present success of the kiwifruit industry is due to the existence of the KMLA which has only been in existence for three years.

In fact the foundations of success were laid some nine to 10 years ago with private enterprise exporters freely co-operating in active export promotion and marketing. The KMLA has merely given legal effect to what was already an established, professionally operated voluntary co-operative association.

The KMLA would do itself, not to mention the kiwifruit industry as a whole, a great service if it conducted its affairs properly and democratically, instead of as at present in a dictatorial and wholly unjustified manner.

The alternative, bearing in mind the massive increases in production coming forward could well be a marked decline in profitability for producers which could quite conceivably lead to the formation of a single marketing board.

This would substantially undermine the success that has been achieved to date.

J B Donald
Secretary
Horticultural Free Enterprise Association

A self-evident spent force

IN your defence I must point out to the deputy leader of the Values Party, Janet Roborgh (*NBR* October 13) that the Values Party was a spent force by December 1978. That it will be a spent force in November 1981 is therefore self-evident.

In fact the Values Party took ill in April 1977, had a severe political accident in November 1978, manifested symptoms of severe trauma at its annual conference in 1979 and finally gently expired in East Coast Bays this year.

Throughout its rather frenetic existence the Values Party lacked intellectual coherence, a clear definition of strategy, a sustained commitment by its members, and a real sense of common purpose.

Divided into two or more rival groups at any one time the Values Party, with inadequate leadership, stumbled from crisis to crisis and eventually disintegrated into its component parts at Masterton in May 1979. Since then its political credibility has vanished and its message evaporated, apart from some faint murmurings in the provinces.

As one who unwittingly contributed towards this unhappy result I never-the-less share Janet Roborgh's view that "few would disagree that the need for the Values philosophy is greater now than at any previous time".

Indeed the Values *1978 Policy Manual* provides a dynamic blue-print for the future — for the yet unborn New Zealand radical movement of the 1980s.

My suggestion to Janet Roborgh and her associates however, is that they break clear of the debris of a failed political vehicle and start again. They need to build a movement from the local level outwards; a movement which is more directly responsive to human needs, and more appropriate for the decade than the outdated, rather conventional political party format that was the New Zealand Values Party.

If they move to focus the radical left opposition to the present system, to provide a co-ordinating integrating function for the progressive elements in New Zealand society, rather than preoccupying themselves with posturing on the electoral stage, they may well be surprised at the response they evoke.

John A Stewart
NZVP fieldworker 1978-1
Christchurch

Politics

Lesson from a master in how not to run a coup

by Colin James

"THE dissidents, however, made the mistake of sending a delegation of four the night before to warn the premier that he might as well step down, as they had the numbers among Country Party parliamentarians, 16-10." (Hugh Lunn: *Joh*)

The "dissidents" were Queensland Country Party MPs who thought Premier Joh Bjelke-Petersen was performing so badly that the party was going to lose the next election and they their seats.

Bjelke-Petersen spent the night on the phone to his MPs one by one, calling in debts and promising favours. By next day the scores were even and Joh survived.

That was October 20 1970. On October 20 1980, Bjelke-Petersen was still in power, unchanged in style.

The lesson for coupsters: strike at one; don't give the king time to play the trump cards of patronage, publicity and pressure.

As Machiavelli once said, "a plot should never be divulged unless one is driven to it and it is ripe for execution."

And of delay the crafty political instructor wrote in his *Discourses:*

"Certain persons were conspiring against Sitalces, king of Thrace, had settled the day on which the deed was to be done and had gone to the place assigned at which the prince then was; yet none of them ventured to attack him, so that at length they went away without trying to do anything and without quite knowing what had prevented them, each laying the blame on the other.

"They made the same mistake more than once, so that in the end the conspiracy was discovered and they were punished for a crime which they could have committed but were reluctant to commit."

A different age and different facts from the National Party rumpus. But the general message is valid: if you want to do in the king, pick your time and carry it through. Above all, organise.

The National coup-that-wasn't did not meet those criteria. It resembled more a bubbling over of frustration than the product of cool forethought.

And, curiously, that was both its strength and its weakness — strength in that its spontaneity carried a strong message to the Prime Minister and weakness in that, if it aimed to replace him, it was doomed to fail.

The idea of replacing him developed seriously only late in the piece. After the East Coast Bays by-election, when Dail Jones publicly said what a lot of MPs were saying privately, the emphasis was on putting the Prime Minister on a short lead.

That talk began to die down, of course, as it always has in the past. But this time the party outside — running into fearful trouble since early August signing up members in the new membeship year because of resistance to the Prime Minister — would not let the MPs forget.

The outside pressure worked. In the first week of October talk among MPs intensified.

The first inkling I got was in a conversation with an MP on October 7 who insisted that if the Prime Minister did not conduct himself with great care when he got home the following week anything could happen — including, he hinted, his replacement, though that was admitted to be unlikely: the emphasis was still on leg-roping him rather than replacing him.

During that week some MPs began counting heads for a possible coup. Versions of how far they had got by the end of the week differ, some saying 23 names were in the bag and others saying it was still at the stage of loose talk, compiling lists of putative, rather than committed, coup supporters.

A rumour emanating from outside Parliament that 29 were for change was dismissed by insiders.

But the sands shifted the following Tuesday October 14. The attempt to topple the Prime Minister turned serious and commitments were collected in writing on slips of paper.

Starting with 20 names on the Tuesay, the conspirators in a day of hectic and heady activity on the Wednesday, the day the Prime Minister returned, got that up to 26 including some most unlikely names. That was a majority.

Then began a week of psychedelic politics, never quite wholly divorced from reality but definitely far beyond the normal sensual experience.

It was on the Wednesday night that the Prime Minister reportedly came across one of the four "colonels", as they have become known, Derek Quigley, and the chief whip, Tony Friedlander, and asked them if they were plotting.

The answer was a blunt yes, which prompted the summons to Friedlander to see the Prime Minister in his office the next morning and led to the celebrated was-he-sacked, did-he-offer-to-resign affair that blew up on the Friday.

Going into the caucus meeting of MPs the next day, Thursday, October 16, the Prime Minister has been reported to me as confiding he thought he was six votes down.

But the conspirators had an important weakness which he proceeded to exploit. They did not have a standard-bearer.

Deputy Prime Minister Brian Talboys was the obvious focal point for their ambitions. Anyone else might split the rebel vote and in any case Talboys was the only person with sufficient stature and with a clean enough past record to draw both pro-change and anti-change MPs together after the inevitably divisive event.

They lobbied him by telephone halfway across the world, trying to convince him they had the numbers and to lend his name to their efforts. Even as they conceded defeat last week, conspirators were insisting that the leadership had been there for Talboys' taking on October 16.

But the Prime Minister outflanked them by getting one of his supporters, David Thomson, to ring Talboys once more for an official message. Typically, that message equivocated, agreeing to serve if the caucus insisted but thrice urging it not to strike.

Having thus armed himself, Muldoon contrived to leave the leadership issue to the end of the caucus meeting, when finally Don McKinnon raised it under the last heading on the agenda.

Muldoon let the debate go, was conciliatory, attentive and "almost humble", promising MPs, who had little stomach to press the issue in the light of Talboys' hanging fire, as much time as they wanted at future caucusses to discuss the issue.

The battle was won then. The Prime Minister had bought, not the 12 hours Bjelke-Petersen got by on, but seven days. He went public, hard and brilliantly.

By any standards, he made superb use of the media, refusing the penetrating questioning of Ian Fraser on *Newsmakers* (claiming that would be demeaned to "entertainment") in favour of the more generous format of *Close-up* and *Eyewitness*.

He picked himself off the floor and began to insist he had it won — using the psychology of winning to undermine the confidence of his opponents.

And he put the heat on the individual MPs, living them up for or against him, applying the old tactics of fear and hope — those cold eyes that have sent shivers up the spines of grown men; and the generosity of the dispenser of patronage.

He peeled some 10 off the list of signatories, including one of the "colonels", Jim Bolger. Talboys, when he got home, found the larder bare.

Attention by then had reverted to wringing concessions out of the Prime Minister.

For some among the legendary 26, the issue had never seriously been more than that. Their aim had been to get policy changes and reforms in the Prime Minister's conduct and they felt the best way to get them was to give him the fright of his life.

They might well have done just that. For the first time, MPs have been trooping up his office to tell him to his face what they think of him — and many of those who never wavered from his support are said to have told him some uncomplimentary things about himself.

On top of that, he has seen the extraordinary spectacle of MPs openly stating their disagreements with him in the news media and even, in some cases, making it clear they want him out.

At the most basic level, even his loyalists made clear to him they did not want any more of the past days when some ministers sat cowed and silent at the Cabinet table and some backbenchers had to grit their teeth to contradict him in caucus meeting.

MPs across a wide spectrum of attitude to change also spelt out lists of other improvements they wanted: Cabinet renovation, new policy directions, positive projection of the party's "more market" economic beliefs and development programme, an end to political trivia.

As this column went to press last week those demands were going into the caucus melting pot. Whether they will get far or will be lip serviced only by a newly reconfirmed Prime Minister is a question for next week's probably sceptical column.

But there was one consolation prize for disappointed, and by now probably confused, party faithful.

Their great groundswell of anger and resentment has given New Zealand a rare political event, an unprecedented open challenge to a National Prime Minister that had him, for a moment, on the ropes. Machiavelli has some good advice for errant Prime Ministers, too.

Muldoon's tiller-grip at odds with party policy

Economics Correspondent

PRIME Minister Rob Muldoon's management of the economy is under fire within the ranks of his own party. He has failed to bring about the miracle of restoring New Zealand's shattered economy. And there is a widening gap between his pragmatic vision of the 1980s and the more free enterprise view of National Party president George Chapman.

But Deputy Prime Minister Brian Talboys thinks the Government is getting back to basic free enterprise. The problem is that Nationals plan has not been clearly explained to the public.

Muldoon's influence on economic affairs goes back to 1967 when he first became Finance Minister. His hold on the tiller has only been broken once, when Labour was in office between 1972 and 1975.

Muldoon's style of economic management has been a curious assortment of decisive leadership, fancy footwork, impressive public relations and almost perfect political timing. The economy brings uncertainty into most of our lives, but for Muldoon it is a vehicle for his political success.

To win in 1978 he timed expansionary fiscal and monetary policy to ensure real incomes rose in time to fill voters with goodwill towards his incumbent Government. And then, to show how good he was at managing Government spending, he slowed it down to below the rate of inflation and reduced the Budget deficit by over $400 million in the following year.

Although the Prime Minister continues to win a few skirmishes, the real battle with the economy is far from won. There is growing fear that Muldoon is more interested in keeping up appearances than getting to the root of problems like unemployment, inflation, the balance of payments constraint, inconsistent fiscal and monetary policy, a poor investment environment and stagnant economic growth.

Muldoon's manipulation of economic policy to suit his own particular purposes has fueled uncertainty about the future. People in business distrust efforts to stimulate investment around election time, because they know the crunch will come after the election. Wage earners are no longer convinced that inflation will come down and taxes will be significantly reduced, so they demand ever increasing wage increases.

After National's loss of East Coast Bays, Deputy Prime Minister Brian Talboys tried to set things right in an address to the Wellington Manufacturers' Association. His belief that the National Government now has an economic policy package designed to bring about economic growth has not been sold very well.

The Government's policy for managing the economy is laid out in this year's Budget. While it will not yield instant benefits and will mean some short term hardship and political unpopularity, Talboys says it is in the best long term interest of the country.

The Government's story about the economy has been revised. In the 1970s, everything that was wrong with the economy was the fault of the inexperienced 1972 Labour Government. Talboy's story is that things have changed from the secure economy we once knew. We can no longer depend on the foreign exchange earnings of our farming sector to keep the economy afloat. The loss of our secure market in the United Kingdom to the European Economic Community and the energy crisis of the 1970s have precipitated the need for change.

And Talboys believes that we can achieve this needed change without social and economic upheaval. We can prosper through entering a new era of economic freedom.

Talboys takes the opposite tack from his leader who generally expounds all the economic improvements brought about under National. He outlines a record of stagnation.

Our standard of living, until the 1960s, was among the top five in international country comparisons, but in 1978 it was twentieth in the world and continues to slide. Our rate of economic growth has been the worse of the industrialised countries with output per head increasing by a meagre 35 per cent in the 20 years from 1960 to 1980 compared with 100 per cent growth in most European countries.

The performance of our export sector, normally a leading sector in the economic growth cycle, has been, by comparison with other countries, equally dismal. Whereas Japan increased its exports by a staggering 950 per cent in the 1960s and most European countries have achieved growth rates of 200 per cent or more, our exports have grown by less than 100 per cent.

Some of the causes of our poor economic performance have been external. Our terms of trade have suffered under the impact of higher oil prices, inflation of import prices and recessionary conditions in our main markets.

But, Talboys believes, it is our failure to increase output which lies at the heart of our difficulties. He claims that our long run historical increase in output per worker has been around 2 per cent a year but that between 1974 and 1979, output per worker grew by a miniscule 0.2 per cent a year.

The environment which has produced this poor productivity record has been too secure.

A high level of inertia has developed because extensive controls and regulations have limited both external and internal competition. They have led to poor commercial efficiency and little incentive to contain costs. More recently they have taken their toll on employment.

Talboys argues that "the Government has had to come to terms with the reality of these failures. Successive Governments, over a long period, have failed because they have shunned orthodox policies.

Brian Talboys . . . opposite tack from his leader

"Under pressure from different sectors of the community, Governments have obligingly tried to repeal the laws of supply and demand. They have intervened to control prices, fixed exchange rates at overvalued levels, artificially raised the price of imports through protection, frozen public sector charges in the face of rising costs, kept exporters afloat by subsidies and controlled interest rates so that savers subsidised borrowers.

"All of these actions, run counter to orthodox economic prescriptions."

For Talboys, orthodoxy means getting back to basics and getting back to basics means less Government intervention.

Talboys speech is filled with contradictions. It shows that he has thrown his hat into the ring with the free enterprisers but it is not clear that he is aware of the implications of free enterprise philosophy.

He claims that getting back to basics means restricting Government spending, but admits that spending has been increased this year to support domestic demand. And while he wants to introduce more competition to control inflation, he also thinks something must be done to control wage rises. Voluntary wage controls have not been very successful, so what kind of control is he referring to?

Rob Muldoon . . . more interested in appearances

Talboys also advocates restructuring as a means of expanding our output.

While more competition may distance the Government from the failure of firms unable to compete internationally, it is not clear that it will result in a growth of output in the short-term. Until firms get on their feet, there may be more unemployment.

More free enterprise is not necessarily the answer to all our economic problems. It is not enough to try to sell economic policies by labelling them in this way. It must be shown that they will work here to bring about an improvement in economic activity.

'In national interest' could develop new meaning

Continued from Page 1.

That may not be a "bad thing", although it tends to be self-perpetuating power, because "shareholder democracy" in this context is a myth.

The potential danger lies in attitude. Trotter and Fletcher have been propounding a philosophy which wraps up shareholders, staff, the public and the "nation".

In 1976, at a Challenge annual report presentation, an audio visual staff development programme was shown. It contained the point that "the individual's needs and aspirations coincide with the company's needs and aspirations". Trotter later referred to the need for well qualified top people to get together in the country's interests.

My brief notes of that speech include the terms, "professional men, accountants, businessmen, MPs" and, for some reason, "doctors".

By using these people, so the argument ran broadly, we could increase productivity and outperform the Swedes and the Germans.

Hugh Fletcher seems to have developed a similar type of philosophy, which has been tagged "New Zealand Ltd", by the cynical.

At last Wednesday's press conference, and on other occasions, both men referred to "the nation", or national interest, when bringing together all the factors related to the country's development.

When self-defined concepts of the "national interest" are combined with sizeable financial power, the ability to raise much more money, and a corporate framework, the potential for danger is high, just as it is high if the State can exercise massive power, although in New Zealand the State's representatives go to the ballot box every three years.

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

This merger is not the end of the story. Apart from big development projects, it is possible to envisage an agenda for the board in say, 1985 or 1986.

Tourism may be growing at that time. Fletcher Challenge will still have interests in credit cards and other elements of tourism including construction (someone has to build the hotels). The board could consider a decision to provide more clout to tourism in the "national interest".

An expensive industry, that, so why not buy an existing organisation after considering a position paper on, say, Lion Breweries?

The new aluminium smelter has a high level of output which should be used in New Zealand in the national interest. Any metal processing companies available? Well, buying out the Australian share of Alex Harvey would be in the "national interest".

That may seem far fetched, but the potential is there, and the apparent philosophy has been stated openly in recent years.

There is, as always, another side to this merger which would blunt the potential for danger.

If there is a change of government in 1981, the way would be open for "every nit picking socialist" (a term used in a conversation last week) to attack Fletcher Challenge at a time when it was still reorganising.

The second point is the economy's capacity to build up other organisations which could stand alongside the group as true competitors, particularly in ability to tackle projects and raise finance, without meeting it halfway in joint ventures.

Unless that happens, many New Zealand companies are potential pussycats. There are areas where the safeguards in the Commerce Act are inapplicable, because no monopoly situation would arise, although power itself may be monopolistic.

Fletcher Challenge may be the spur for further mergers. Several businessmen late last week were applying themselves to the initial conceptual approach, a point reflected in the sharemarket as prices rose strongly across a wide range of companies.

There are curious matters about this merger. Trotter said the Examiner of Commercial Practices was approached confidentially about three weeks before the announcement. That takes us back to the beginning of October, a time when the Commerce Commission was arranging party status for a hearing on the Fletcher/Carter Holt affair. Fletcher has withdrawn its takeover proposal.

Fletcher announced a one for seven cash issue on October 3, which is now withdrawn.

It seems that both these matters were underway at the same time as the Examiner was considering an application from Challenge. Trotter says the proposal had been talked about even earlier.

The merger is planned to be wrapped up by December 24, an interesting date in view of its potential on the economy and on the individual New Zealander.

The Christmas pantomime (*NBR* October 6) is cancelled, the three wise men have been replaced by another three, and the Wagnerian music will thunder across the land. As someone asked me last week, will it be the "Ride of the Valkyries"?

Leadership affair may be giving market strength

THE sharemarket seems to be moving in weekly rests; one week quiet, the next on the boil again.

In the early part of last week there was a strong rise in equity prices, following a static period in the previous week.

The developments in the National Party leadership affair may have given the market new strength, as Prime Minister Rob Muldoon moved to consolidate his position by going back on to the attack, compared with the purr, purr approach apparent after his return to the country.

(This column went to press before the outcome of Thursday's caucus, so the scene may have changed.)

No investment market can stand political uncertainty, but it will react favourably if it thinks the uncertainty has been removed.

The forestry stocks stood out in the early part of the week.

Tasman had its latest run in the previous week, and that spilled over to Challenge and Fletcher, both of which jumped strongly as some sections of the market "anticipated" the big merger, to use a polite, published word. "Blatant informed trading" is a more accurate expression.

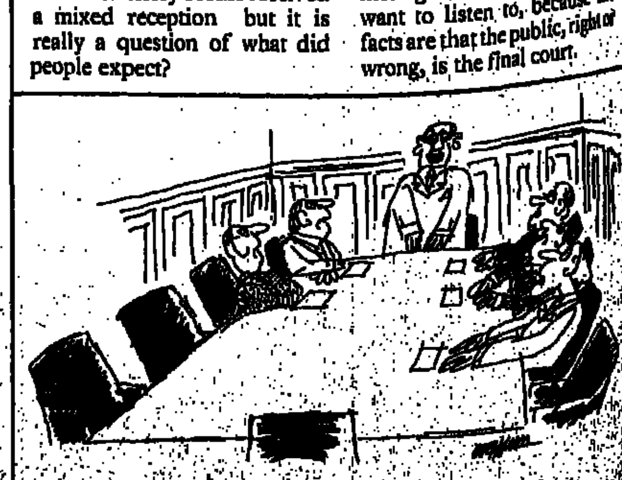
The Brierley result received a mixed reception but it is really a question of what did people expect?

The company had a reasonably attractive cash issue, a generous bonus issue, raised the dividend, and indicated that it would maintain a similar figure next year in real terms. The fact that the bonus shares miss out on the interim payment may have affected some thinking, but Brierley's bonuses have missed the interim payment for about the last two to three years, because they are now made in January.

The market appeared to accept the point in the days following the preliminary result, because it lifted the share price last week after a slight decline earlier.

The political intrigues of recent weeks may have had another beneficial effect on the market, because the promised mini-budget is likely to be an exercise in politics as much as economics. There is nothing unusual in that, since the description "political document" is well entrenched as a term for the formal Budget.

But the deep concern around the countryside on economic development has shown up in various ways, including the latest manoeuvres. It is immaterial whether the Government has failed to "get its message across", or if it actually has a message that the public would want to listen to, because the facts are that the public, right or wrong, is the final court.



"First the good news; because of last year's profits, we will be able to buy a machine that will replace five men."

The second factor about the mini-budget is that attention can now be given to the document's contents, instead of *people talking* the night away in *Parliamentary* offices.

The room to move may be limited, but the Government has to do something soon, or it will find its support eroding further in the rundown to the election. The next annual Budget may also contain some goodies. The time for policy to work through suggests that things will be found in the bag before the end of the year.

Whatever is done, it will give business a slight boost, probably through benefits to individuals, and therefore market will reflect any policy change.

Overseas developments are another reason for the market maintaining its present level. The Australian market jumped after the election, and while there is not a direct relationship between the two, there are several companies (or their relatives) listed in both countries.

The present signs are that the recessionary forces are declining, particularly in the United States. That is a bull point for world business, and anything which is likely to improve world business is also a bull point for the New Zealand economy, particularly for companies associated with primary and secondary exports.

Apart from the occasional big special sales, Goodrich's disposal of Feltex shares for example, turnover on the New Zealand market has been moderate. To that extent the unwillingness of buyers to sell has an upwards influence on prices.

The leaders still dominate trading. There have been several days when total individual rises outnumbered falls by 3 to 2, but the indices fell because the leaders declined a few cents in value.

It may seem paradoxical that the market has been in reasonable condition when unemployment rises, inflation is still high (the last quarter of the calendar year is likely to reverse the trend seen in the last two quarters as many price increases come into the CPI), and money costs show little sign of easing in the foreseeable future.

Profits for large companies are moving up, and that influences share prices. The fact that smaller businesses, or difficult industries, are under pressure is immaterial to the listed companies' prices, but any mini-budget assistance for the former will help the latter. Concentration on "big business" is one of the complaints levelled at the Government.

It is a weird world when an attempt to restore the balance will also help the large company.

Note: The writer neither owns nor has a beneficial interest in any securities discussed here.

Analysing annual accounts: South British Insurance

THE annual report of the South British Insurance Co Ltd is as difficult to understand as the conditions on the back of your average insurance policy. Part of the problem is the company's presentation of financial information, and part arises from the convenient application of the law, particularly the Companies Accounts (Insurance Companies) Exemption Order 1957, which exempts the group from disclosing any detail on taxation.

The company has two "consolidated revenue accounts"; the "short term insurance", and the "long term (life) assurance". The first shows an amount of \$222.1 million in premiums less reinsurances, from which is deducted \$9.4 million as an addition to provision for unexpired risks, leaving \$212.7 million in premiums earned.

Claims incurred (\$156 million) are deducted from premiums earned, commission earned came to \$25.3 million, and "expenses and taxation" were \$40.8 million.

South British wound up with a loss of \$9,410,000 on short term insurance. The life assurance account is straightforward, bringing \$509,000 into profit which is transferred to the "consolidated earnings statement".

The loss on general insurance, plus the profit on life activities, and \$16.6 million in net income from investments, produced operating earnings of \$7.7 million. That may seem clear until we come to the notes to the accounts and the accompanying text.

Note 10 (alongside "operating earnings") says: "The consolidated earnings statement recognises a future tax benefit of \$6,295,169 which in the opinion of the directors will be realised".

It appears (and *NBR* can only surmise in the absence of information) that the \$6.3 million has been added back to the amount of \$40.8 million relating to expenses and taxation in the short term insurance revenue account. It would have been useful to see where that sum appears, because the accounts are silent.

Then we come to note 3, which says directors' fees, audit fees, interest, lease expenses, and depreciation were deducted in arriving at the consolidated net earnings for the year. Very informative, if you overlook the fact that note 3 to the accounts has no corresponding reference number in either the revenue accounts, the earnings statement, or the balance sheets.

And "net earnings" is the figure arrived at after adding in profit on sale of investments and land and buildings, the equity in retained earnings of associated companies, and removing exchange fluctuations (\$2 million) and minority interest in earnings of a subsidiary (\$643,000).

The future tax benefit arises, according to the directors' report, from the application of tax effect accounting.

That, folks, is all you will be told about taxation, owing to the application of the antiquated exemption order.

South British no doubt has the usual excellent "reasons" for invoking this order, as did the freezing companies some years ago. An exemption order is in force for taxation in freezing companies, but few use it these days.

After arguing the point through most of the 1970s with anyone who dared to question their non-disclosure of tax, the freezing companies started to include the liability in their accounts, and the world goes on, with no apparent erosion of their position in relation to overseas owned meat groups.

But not so the big three listed insurers, which is rather surprising when one examines the top-level boards which include experts on company financial disclosure.

On the statistical side, the company gives a five year summary of various financial items and ratios. It leaves out two ratios which are relevant to the performance of an insurance company; the loss ratio (claims to earned premium income) and the expense ratio (general expenses to earned premium income).

These can be calculated (73.3 per cent for the loss ratio compared with 63.4 per cent in 1979, and 19.2 per cent for the expenses ratio as against 24.4 per cent in the previous year), but it would be useful to have them in the report on a comparative basis.

In the case of the expenses ratio we still lack the information on taxation, and where the tax benefit found a home.

At least we now find out more about the company's reserves. The group distinguished its share premium account and asset revaluation account in the books, which is some progress, particularly as there was a substantial revaluation of land and buildings last year.

The final fault is the common practice of lumping together results from many countries, without showing the extent of their profitability/loss.

The report says 53 per cent of general insurance business is written in Australia, but "losses increased dramatically across almost the entire spectrum of business". In New Zealand, providing 19 per cent of business written, "we earned a small profit".

In Africa (17 per cent of premium income) South Africa produced "its first underwriting deficit for some time", "our operations in Zimbabwe and Kenya were profitable", and so on through the United Kingdom and North America and South-east Asia and "Far East". The last is a rather old-fashioned term for an area to the north of New Zealand, chaps. Ah well, at least it all complies with the law.

O'Brien on business

Seasonal deficit doesn't account for desparity

THE first three months of the 1980-81 trade year show a deterioration in the balance between export receipts and import payments.

The Department of Statistics last week issued a preliminary summary of exports and imports for the three months to September 1980.

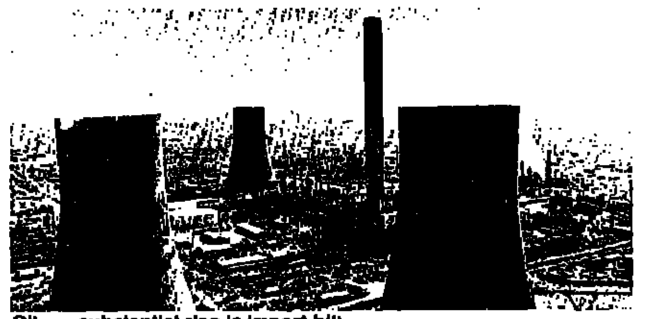
The figures show that the excess of imports over exports in the quarter was $161.9 million, compared with $105.9 million in the corresponding period the previous year.

A deficit between the two trade groups is normal at this time of the year, because the export season has not started, but the flow of imports continues at its usual level.

But a 52.9 per cent increase in the deficit between imports and exports in the first quarter of the June 1980 year is hardly a satisfactory outturn for those charged with maintaining economic policies.

When "invisible" figures are added in it seems that the country's balance of payments will show an increased deficit in the September quarter.

The Reserve Bank had yet to release its Overseas Exchange Transactions for the three months to September when *NBR* went to press, but they can be expected to confirm the trend shown in the Department of Statistics preliminary trade figures.



Oil . . . substantial rise in import bill

The department's news release gave total figures for the period to September, without a breakdown into individual items. The substantial rise in the import bill, in comparison with 1979, is probably due to the rise in oil prices.

Forecasts of the year's payments for oil are now running in the region of $1300 million, or close to twice the level of the previous year.

The department also issues estimates for future import payments, based on a survey of overseas orders placed each month.

The latest information relates to overseas orders and payments for August 1980 and projected private import payments for the year ended February 28 1981.

For the 12 months ended August, private import payments totalled $4377.2 million, and are projected to rise to $4716 million in the year to February 1981.

The figures are based on Reserve Bank actual payments plus Department of Statistics projections.

The department says monthly payments for mineral fuels fluctuate considerably, but tables of actual payments on a three monthly basis show the trend.

In the three months to June 1980 we handed over $268.2 million for mineral fuels, compared with $248.5 million in the March period, $182.3 million in the three months to December 1979, and $159.6 million in the September quarter of that year.

While there are seasonal differences in these figures, they can also be examined in relation to the overseas orders placed for oil on the same quarterly basis.

In the three months to June "surveyed firms" (which includes a high proportion of total orders, but not all of them) placed orders for $375.1 million worth of mineral fuels, compared with $226.4 million in the March quarter, $317.1 million in the period to December 1979, and $247.6 million in the three months to September 1979.

A large part of this expenditure is related to building up stocks within New Zealand, but the relationship between volume of imports, amounts paid, and the value of imports ordered in the respective periods shows a rapid price rise.

When comparisons are made between orders and payments for other categories of industrial and consumer goods, there is a steadier relationship in the amounts for each quarter, in both payments made or orders placed.

There is naturally some price inflation in the different classes of goods, but nowhere near the level of that applicable to imports of mineral fuels.

The *total* payments of surveyed firms in the June quarter were 67.3 per cent of total imports, compared with 69.4 per cent in the previous three months, 65.5 per cent in the December 1979 period and 62.6 per cent for the September 1979 quarter.

The narrow band within which these percentages fall suggests that the projection from surveyed figures to the total import bill, across the different industrial categories, is a good guide to what is happening to our trade payments.

It is too early to say whether the price of oil has stabilised, even in the short term, because "oil politics" and "oil economics" have a habit of changing in a short time.

The Iran/Iraq conflict could put pressure on supplies, which in turn could also affect prices. On the other hand, some of the other OPEC countries obviously see it in their own interests to maintain the total world supply, without taking advantage of possible shortages to lift the price.

Whatever happens in the next few months, the latest statistics indicate a continuing sizeable balance of payments deficit for this country in the foreseeable future.

Stock Exchange weekly review

	Last sale	Week's high	Week's low	Turnover
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Last sale	Week's high	Week's low	Turnover
GOODMAN GROUP	265	265	265	9500
14% CONV PR	195	...	...	0
GROSVENOR PROPS, 25C	45	45	45	400
HALLENSTEIN	245	245	240	1800
HAURAKI ENTERPRISES,25C	170	170	168	15800
HANKINS,50C	65	65	58	14500
6.5% PR	...	...	...	0
H.B. FARMERS	230	245	230	6400
13% CONV PR	155	155	155	1800
HAYWRIGHTS 5 PREF	65	...	...	0
HEALING	310	315	310	[illegible]
10% DEB	...	...	...	0
12% CONV PR	300	305	300	8100
H.POLLARD	300	300	300	1500
10% CONV PR	190	...	...	0
HENRY BERRY,50C	148	148	148	10000
10% DEBS	235	...	...	0
HOOKER,50C	75	...	...	0
HUME INDUSTRIES	112	112	112	100
5-7.5% PT PR	40	...	...	0
10% CONV DEBS	115	115	115	2000
I.C.I.(AUST)	155	...	...	0
I.C.I.(NZ)	185	185	183	2500
IND BROADCASTING	128	128	128	1100
INDEPENDENT NEWS	160	165	160	200
IND.CHEM,50C	170	170	170	1100
INTERTASMAN NZ,50C	...	...	...	0
I.W.DOW,50C	248	248	240	10000
JAMES AVIATION	325	...	...	0
JAMES SMITH 50C	83	85	83	5200
14% CONV PR	55	...	...	0
J.E. WATSON	380	380	375	4000
12% CONV PR	220	...	...	0
J.BURNS	105	105	102	1800
12% CONV PR	175	...	...	0
JOHN EDMOND	175	175	175	200
J.WEBSTER 50C	46	46	45	2700
12% CONV PR	40	40	40	200
J.MERCER INDS., 200C	70	...	...	0
5.75-6.25% PR	...	...	...	0
J.NATHAN	140	...	...	0
6.5% PR	125	...	...	0
11% CONV DEBS	140	...	...	0
J.RATTRAY	215	220	215	2100
12.5% CONV PR	130	...	...	0
KEARNS-OATINA, 200C	210	...	...	0
L.W.RUDKIN,50C	110	110	110	[illegible]
12% CONV PR	65	...	...	0
LANES,50C	45	45	43	700
L.D.NATHAN	188	190	185	27700
9.5% CONV DEBS	165	...	...	0
CONV PR	174	175	170	4000
LEYLAND,50C	112	...	...	0
LION, 50C	[illegible]	109	102	[illegible]
10% CONV PR	95	95	[illegible]	5200
12% CONV PR	85	85	[illegible]	2100
L.BH.OIL,50C	36	37	34	[illegible]
LUSTEROID	[illegible]	...	...	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15% CONV PR	70	...	...	0
MAIR,50C	200	200	200	500
11% CONV PR	152	...	...	0
MANAWATU,50C	110	...	...	0
MANTHEL	155	155	155	200
MARAC	300	300	275	4500
MCALPINE,50C	75	77	75	4500
MCKECHNIE	215	215	215	1100
MIDLAND	225	225	214	11700
11% CONV PR	190	190	185	6800
MIN.RESOURCES,20C	90	95	78	42400
M.O'BRIEN,50C	63	68	63	10200
12% CONV PR	58	...	...	0
MONTANA,50C	158	160	158	[illegible]
M-P.I.M.	195	...	...	0
11% CONV NTS	200	...	...	0
13% CONV PR	3	...	...	0
MOTOR HOLDS.,50C	140	142	137	17200
12.5% PR	...	...	...	0
MOTOR TRAD.,50C	60	62	60	1300
5-6% PR	46	...	...	0
11.5% CONV PR	50	...	...	0
MSI CORPN,50C	98	98	94	37700
12% CONV PR	100	...	...	0
MT.COOK	160	160	160	16400
N.Z.M.HOLDS.,50C	675	...	...	0
NAT.INSCE, 50C	190	192	190	15400
NATIONAL TRADING	...	...	...	0
8% PR	...	...	...	0
NAYLOR	145	...	...	0
5% PR	...	...	...	0
NEIL HOLDINGS, 50C	42	43	31	65100
N.Z.CEMENT	101	101	100	20200
N.Z.F.C.,50C	107	107	106	[illegible]
11% CONV PR	80	...	...	0
N.Z.FARM FERT.	166	166	166	2000
12% CONV PR	135	135	135	300
14% CONV PR	135	...	...	0
N.Z.F.P.	400	405	364	120950
N.Z.I.G.	345	[illegible]	345	2000
5.5% PR	60	...	...	0
N.Z.I.	242	242	240	13300
10% CONV PR	167	167	165	1300
N.Z.LAND,50C	20	...	...	0
N.Z.LEATHERS	55	58	55	2000
N.Z.MOTOR BODIES	85	85	85	4200
N.Z.M.C	156	157	155	14200
N.Z.NEWS	210	210	210	2500
N.Z.PETROL,50C	540	540	525	850
N.Z.REFINING	103	103	102	25600
N.Z.STEEL	[illegible]	197	[illegible]	21300
N.Z.UNITED	500	...	...	0
NIVEN INDUSTRIES	105	...	...	0
NUHAKA	215	215	215	300
ODLINS, 50C	80	83	77	135400
"A" 6% PR	20	...	...	0
12.5% CONV PR	58	58	56	6300
"B" 13% CONV PR	60	...	...	0
OPTICAL HOLDINGS, 50C	58	60	58	1400
12% CONV PR	48	...	...	0
OTAGO PRESS & PROD	120	120	120	1900
PAVROC HOLDINGS	110	...	...	0
P.D.L.HOLDS,50C	150	150	150	500
PERM.INVEST	85	...	...	0
PHILLIPPS & IMPEY,50C	130	...	...	0
PRESTIGE,50C	75	75	70	9200
PRINT & PACKAGING	215	215	215	20600
11.5% CONV PR	180	180	178	700
PROGRESSIVE	395	395	393	18300
12% CONV PR	800	800	800	100
PROP.SECURITIES,50C	155	...	...	0
PRUD.BUILDING	105	105	105	2000
QUILL MORRIS,50C	100	...	...	0
12% CONV PR	85	...	...	0
RADIO AVON, 25C	170	175	170	1000
RADIO OTAGO	130	...	...	0
REGINA	100	100	100	200
R & W HELLABY	180	180	180	2200
REID FARMERS	240	240	240	200
REPCO(NZ),50C	75	75	74	4000
10% CONV DEBS	92	...	...	0
REVERTEX	310	...	...	0
REX CONSOL.	235	235	235	7000
RHEEM,50C	150	150	145	3100

	Last sale	Week's high	Week's low	Turnover
PICKSTAN,50C	242	...	...	0
ROTHMANS,50C	110	112	110	30700
R.W.SAUNDERS	320	320	320	300
SALMOND	190	...	...	0
SANFORD	340	...	...	0
PR	155	...	...	0
12% CONV PR	260	...	...	0
12% "B" CONV PR	235	...	...	0
SCHOFIELD	140	...	...	0
SCOTT,50C	70	70	60	17100
12.5% CONV PR	48	...	...	0
SELBY	245	245	220	2600
SKELLERUP,50C	305	305	305	38500
5-7.5% PR	36	38	36	1800
SMITH BIOLAB,50C	165	168	165	2800
12% CONV PR	137	...	...	0
SMITHS C.M.	125	125	125	400
STH. BRITISH	280	280	270	19300
STHN. CROSS HOTEL	155	155	155	6200
STHN CROSS MINS.,20C	50	52	45	114800
S.F.M.	208	210	207	18700
SPEDDING, 50C	65	65	52	414000
12% CONV PR	70	70	65	[illegible]
STEEL & TUBE, 50C	100	100	100	25000
SUCKLING	160	...	...	0
TASMAN, 50C	470	470	368	45000
RED PR	...	...	...	0
PART PR	...	...	...	0
TAYLORS	120	...	...	0
12% CONV PR	112	...	...	0
TELTHERM	170	170	165	66600
12% CONV PR	120	...	...	0
T J EDMONDS	300	300	300	600
TOLLEY	115	115	112	2500
TOUR FIJI	35	...	...	0
TRANS ASHBURTON, 50C	68	...	...	0
TNL GROUP, 50C	94	94	93	79400
10% CONV PR	70	70	68	4500
12% CONV PR	73	73	72	32600
TRANS (NTH. CANT.)	95	95	95	400
14.5% CONV PR	64	...	...	0
15% CONV PR	95	...	...	0
TRANSVISION	245	245	240	13600
U.E.C.	147	...	...	0
U.E.B.I.,50C	105	105	103	56300
6.5-7.5% PR	115	...	...	0
12% CONV PR	86	86	84	800
15% CONV PR	57	58	57	2100
UNITED STEAMSHIP	62	...	...	0
[illegible]	75	...	...	0
UNITED [illegible]	100	...	...	0
UNITED PUBLISHING,50C	220	220	220	4000
VACATION,50C	56	57	56	500
12% CONV PR	50	50	50	500
12.5% CONV PR	47	47	47	[illegible]
[illegible]	197	200	192	[illegible]
11.5% CONV PR	150	150	150	1100
[illegible]	165	...	...	0
[illegible]	[illegible]	...	...	0
WATTIES,50C	[illegible]	126	123	90200
12.5% CONV PR	78	78	76	20400
WELPAS	475	...	...	0
WILKINS & DAVIES	210	210	210	100
5.75-7.5% PR	52	...	...	0
W.JEFFERY	140	140	140	2200
12% CONV PR	110	110	110	400
WILSON & HORTON	353	353	353	400
WILSON DISTILLERS	90	90	88	2500
WILSON NEILL	120	124	120	92200
12% CONV PR	160	...	...	0
WINSTONE,50C	69	70	66	84900
12% CONV PR	53	53	51	6700
WRIGHTS (NZ) PROPS, 20C	72	...	...	0
5.75% PR	68	...	...	0
WRIGHTS INVST., 50C	279	...	...	0
WORMALD	270	...	...	0
5-7.5% PR	100	...	...	0
W.R.CARPENTER,50C	254	...	...	0
W.SUTHERLAND	130	...	...	0

"I pray, too—but I never let a patient see me."

Computers

Polywog's primacy challenged by private proposal

by Allan Parker

A "THEM-OR-US" fight over the rights to put educational computers into schools — with the potential prize of multi-million dollar export sales — is developing between Government and private-sector interersts.

The row centres around a system developed by Wellington Polytechnic staff that excited the interest of Education Minister Merv Wellington on a recent tour of the institute.

After the tour, Wellington gave orders for hastening the development of the system which incorporates hardware from a variety of sources and is said to be very robust for classroom conditions.

The polytechnic has been given the go-ahead to prepare a proptotype for evaluation. But some computer industry companies are concerned that they will not get an opportunity to put up a proposal of their own for school education.

Three of the companies — IDAPS of Auckland, Marton's Production Engineering (renowned for the development of a microprocessor-based automatic petrol pump) and Wellington's Computer Consultants Ltd — have taken their protests to Wellington personally.

Representatives of the three companies recently had an hour-long meeting with him in his Beehive office. They are anxious to get first go at any private sector involvement in a computers-for-schools programme.

The consortium was concerned that it might be left out of any project initiated by the Education Department, particularly as other computer companies are being asked if they are interested in being involved in the polytechnic development, code-named "Polywog".

The consortium's approach to the Minister was an attempt to outflank potential competition by taking its case to the top.

The lobbying appears to have kept it in the running. Representatives will meet with senior Education Department officials on Thursday.

Under the consortium's proposal, IDAPS would be responsible for development of the software involved in setting up a computer system in schools.

Production Engineering has obvious experience in successful microprocessor-based manufacturing.

CCL, while basically a software-oriented company, would handle international marketing and distribution.

The riches to be won include the local market, reckoned by one source to be worth tens of millions of dollars if the project incorporates industrial retraining programmes. Internationally, educational computer business is already huge — and growing rapidly.

The market for educational software in the United States will be worth about $600 million in 1982.

A source within one of the group admitted: "We felt that a consortium of local companies would carry more weight (with the Minister)."

The source also commented that "it is important for local industry to work together rather than compete against each other".

The consortium has put the support-private-enterprise factor before Wellington. "This is a big chance for the Government to let a big contract to the private sector for development of a public sector project. It's an opportunity to show that they support export industries."

The companies have been keen to impress on the politicians that the Education Department should "get their priorities right first".

They say the Polywog system is basically hardware-only at this stage. What needs to come first, they insist, is an appreciation of what is required for the education system — what programs are required and so on.

The hardware to be used will then look after itself.

Our source said: "Polywog at this stage is just another box.

"We're not against the reinvention of the wheel but what needs to be done is for them to decide what they (the Education Department) want to do with these devices in the schools. No-one has defined that yet."

IDAPS already claims a best start in the field. Staff have done considerable research on computer-based education systems.

The company is known to have discussed possible projects with the Education Department for well over a year and, at one stage, presented a pilot scheme proposal involving some 20 schools.

That proposal was shelved. The first indication that the company had of renewed interest was a press report describing Polywog and the Minister's enthusiastic reaction to it.

Clouding the issue further is the Development Finance Corporation's involvement.

Through its Applied Technology Programme, the corporation is involved in helping to fund the commercialisation of public-sector inventions such as Polywog.

DFC staff have asked a number of companies if they are interested in becoming involved in any commercial development of Polywog. Both IDAPS and Production Engineering were among the companies approached.

The response from other companies has been "positive" but the DFC believes there is still a degree of scepticism in the marketplace about whether polytechnic staff have the resources to produce an adequate system.

This is one of the reasons for seeking private sector investment in the Polywog project.

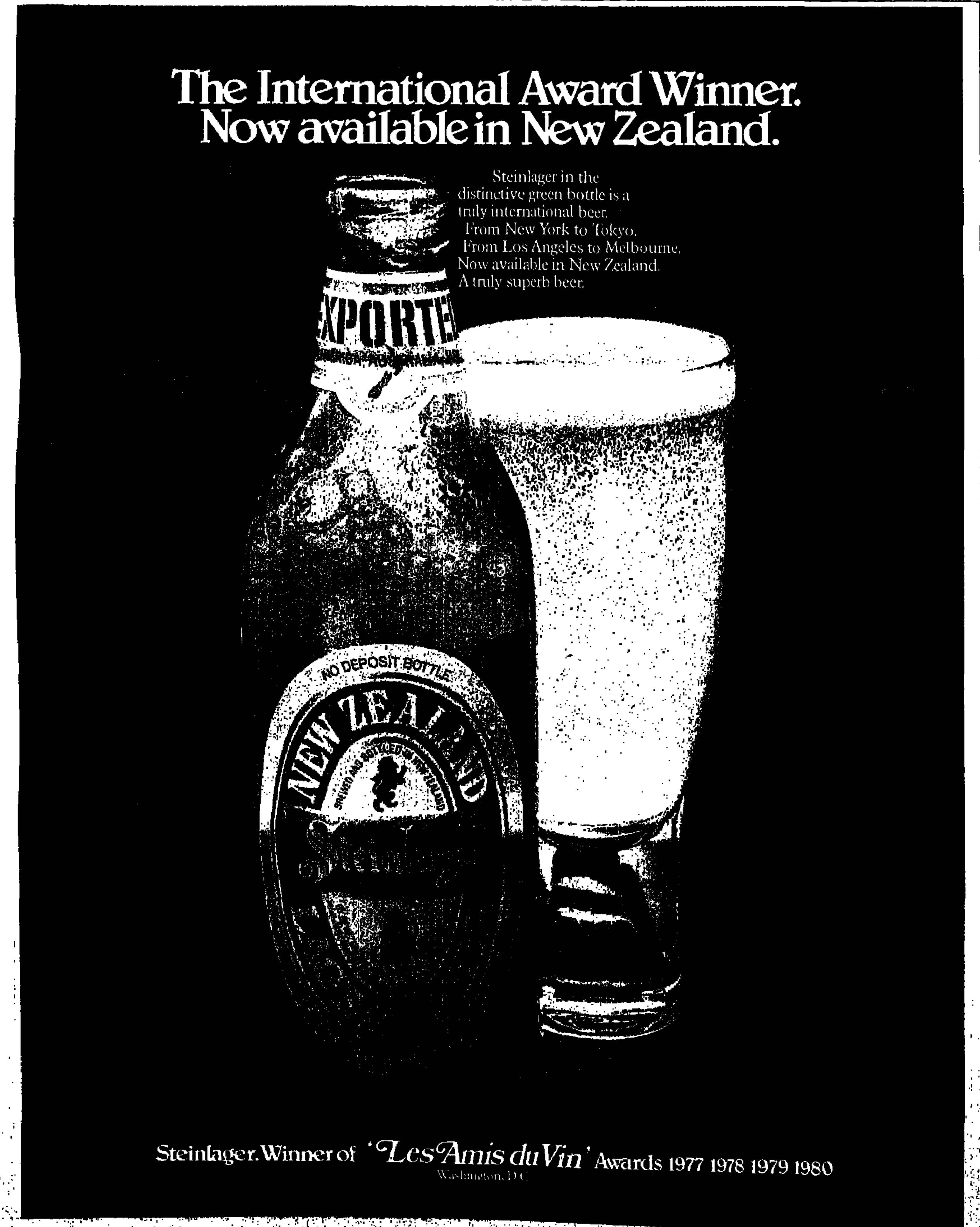
A DFC spokesman said: "At the end of the line we see a product being available that the education system can buy. But it will have to sit alongside other private sector products and compete on its merits."

The consortium's move in going to the political centre of the debate is to ensure that its member-companies are the private sector interests involved.

Meanwhile, the competition is hotting up for access to local schools. This week the United States-owned Control Data is showing off its Plato educational system through a series of live demonstrations to a number of Government departments, including the Education Department.

The Plato system, highlighted in the recent Television series "The Mighty Micro", was first touted in New Zealand over a year ago. Marketing efforts did not lead to a concrete sale.

Now, with official interest renewed, Control Data is back on the trail again, and is offering a system that includes industrial training as well as a school education system.



Media

Brochure links companies in information retrieval

by Rae Mazengarb

DEVELOPMENTS in the information retrieval business are still being kept closely under wraps by the groups involved.

Details of the systems to be used and personnel involved in the projects are being kept secret because there are "various people we don't want to embarrass", said one source.

Wellington-based Newztel News Agency Ltd remains cagey about suggested links to an Auckland company, Telpac Systems Ltd.

In Auckland, Telpac chairman Bruce Grierson is unwilling to mention the names of those involved with his business. But he talked about a "team" in Auckland, Wellington, "and various other places".

National Business Review attempted to untangle the web of company links a few weeks ago but found people unwilling to talk about their businesses.

It is not clear if Newztel and Telpac — a fully owned subsidiary of Commercial and Educational Information Bureau Limited of Auckland — are working in concert. But material published some weeks ago, indicates that the two groups were planning a joint venture.

What appears to be an early brochure on the Newztel service identifies Telpac System Ltd as the organisation "which will be marketing the Newztel service".

Newztel, according to the brochure, is "a new concept in news and current information brought right to your desk".

The service, it says, is a "revolutionary concept". Unlike the conventional public news media, it gives clients as much detail, explanation, and interpretation as requested. "You do not have to be content with what the public news media provides to satisfy the average interest of some mass audience."

Retrieval is achieved through the desk-top information receiver, Apple II Plus, according to the paper.

Newztel — in association with Telpac — has programmed the Apple microcomputer "so that you can be constantly in touch with the ever-changing pattern of current events, with instant access to the Newztel news headquarters in Wellington," it says.

The news service will be compiled "by one of the finest and most experienced journalistic teams ever assembled in New Zealand. You will recognise the names which appear on Newztel bulletins. They will have the assistance of consultant economists, lawyers and other professionals who will bring depth, sophistication and authority to the service."

The brochure suggested the hardware configuration recommended by Telpac was: Apple II Plus 48K microcomputer fitted with disk drive and video monitor.

Approximate cost was $6200 if purchased by the subscriber or approximately $42 a week if leased.

The video system was connected to the public telephone system by a standard NZPO modem, according to the paper.

The subscription to the Newztel News and Current Information Service would be $340 for six months, which included the necessary software, it said. There were a variety of casual and contractual arrangements available to clients, depending on their individual needs.

A seven-page demonstration bulletin dated August 11 1980, followed the service brochure.

Two further pages on behalf of Telpac detailed advertising time and space formula, price schedule for the "Top 100 Captains of Industry", and the Newztel special business and current affairs service.

The "Top 100" service, it was explained, was highly specialised and aimed specifically at the decision-makers in business, commerce, administration and the professions. "Colour advertising, phone prompting and special graphics illustration, as part of advertising copy will only be available to advertising clients after a three month involvement on the Telpac system — established favoured clients only."

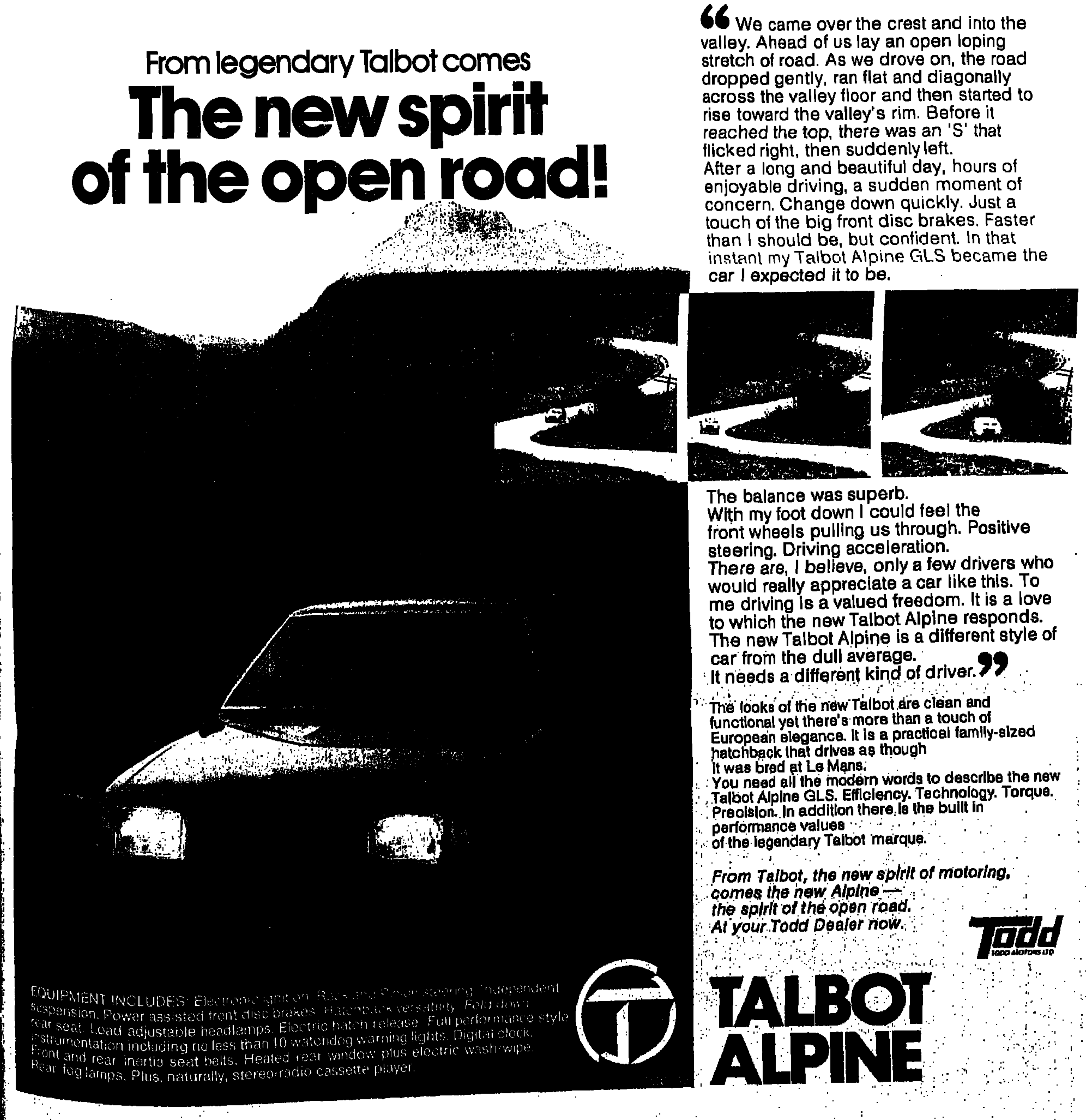
Promotions and advertising controller was listed as Mervin Lawler.

Asked to explain the document, Grierson said the other day: "It sounds like an early draft". He declined to elaborate.

Asked about the equipment, he said it was an "assembly" of different makes. The group was linking existing equipment but using "new techniques". "We're applying Kiwi ingenuity," Grierson said.

Asked to name the people in the "experienced journalistic team," he declined, but said, "I can tell you they are crack journalists".

Newztel's Peter Acland is also keeping a low profile. His only comment on the brochure was that it sounded "fascinating", but he declined to elaborate.



Admark

Looking at ads inside-out through consumer's eye

by Grev Wigge

ARE millions of dollars wasted in advertising?

Is is time to jettison copy strategies such as positioning, image and the unique selling propostion?

Does advertising research provide the basis for creating effective advertising?

These are some of the questions raised in a challenging monograph entitled *A Consumer's Eyeview of Advertising* and written by account director Barry Manley for his agency Mackay King.

It sets out to describe his company's method of tackling the creative task but in the process attempts to dent, if not demolish, some long-held and cherished advertising theories.

He claims that marketing research does not go far enough into the role of advertising in the marketing mix and that advertising research is more concerned with content and format than the substance of advertising.

The marketers approach to advertising relies on traditional theories.

The academic theories propounded by psychologists and sociologists, such as those relating to congruity and dissonance, may well be relevant to deep social attitudes but do not apply to the trivial considerations involved in making *purchasing decisions* for everyday products.

Agency theories such as the unique selling proposition, added values, positioning and brand *image* carry the danger of manufacturer-orientated advertising resulting in overselling and over-claiming. All can be right in particular situations but can not be rigidly applied to each and every product or campaign.

"Traditional theories are too introspective," the paper states, "concerned more with the manufacturer or with their own disciplines than with real live consumers. Their approach is to look at what advertising does to the consumer."

There is no point in looking for an overall theory, argues Manley, because advertisements work in different ways.

His answer is that the newer theories, deriving directly from facts about the consumers — how they behave, make decisions and what they do with advertising — provide a better basis for the way we should go about creating advertising.

Consumers generally use ads, respond to them, in these ways: with direct response — "Just what I'm looking for"; to seek information — filling in a coupon; to relate to needs — "what a good idea"; to recall satisfaction — "that reminds me"; in modifying attitudes — looking at old products in a new light; and in reinforcing attitudes — the "I knew I was right" response.

Simply put, it isn't so important to know what advertising does to people as what people do to advertising.

"So advertising planning and advertising creation is about defining the desired response from the consumer to the advertising.

"Only a series of the right questions in any research programme can precisely define how consumers should respond and suggest the kind of advertising which will produce the desired response.

"The creators of advertising need to understand the consumer's relationship with the product and its rivals, how the consumer behaves when shopping for a particular brand and how brands are differentiated.

"Advertising can stimulate rational responses and a whole range of emotional response plus a range of social, cultural and psychological responses relevant to the product category.

"When you know what the required responses should be, you know how to make more effective advertising and to understand the actual dynamics of the communication process."

To tilt at the accepted conventions by which the creative process is primed or stimulated is not only a courageous but a useful thing to do.

At worst, it forces those who defend their articles of faith to re-examine and justify the reasons for their beliefs.

At best, it may lead to new thought paths or new start-points on thinking creatively.

Although there is no press-button formula for instantaneous creative response there are various techniques which can serve to trigger the thought process.

What Manley and Mackay King have done is to place a fresh emphasis on looking inside-out through the consumer's mind and eyes and that is an important and perhaps neglected attitude. At the same time they have challenged the universal, as compared with the selected, application of established theories.

But Manley must also remember that challenge and assertion are not substantiation. Many of the "theories" he attacks are well argued and documented. And although he discards them in part, he is replacing them with still another theory but without supportive evidence.

If he and the agency want not only to exhort but to persuade, then future editions of this paper must provide case-book evidence that will add authority and conviction to the premises advanced.

If we are about to throw out the bathwater, the new squeaky-clean baby must attain Plunket standards in all respects.

Advertising jubilee

A CYNIC might well say that in the advertising business the loss of an account by an agency is not news.

In that case, the joint celebration of 50 years association between client and agency certainly must be.

It happened the other week in Dunedin where Mr Hallenstein, having previously set up a clothing factory, opened a retail shop in 1876. And where John Inglis Wright left the printing works he managed and opened an advertising agency in 1903.

In 1930, Hallensteins, then a multi-branch clothing chain, gave its advertising account to JIW. It has remained there ever since.

The jubilee was marked by functions for the joint boards who were both meeting in Dunedin at the time, and for the staffs of the two companies.

Hallenstein's chairman, Ted Friedlander, said that he was proud of the long term associations his company has with many of the companies with which it does business.

JIW's chairman, Jim Belich, replied that 50 years service to a client was no reason for complacency.

The cynics notwithstanding, the advertising business is relatively conservative when it comes to account changes. These make the headlines while enduring relationships tend to be unremarked.

Jim Belich . . . no reason for complacency

The respected international advertising agency BBDO lists as its oldest client the Hammermill Paper Company, an association dating back to 1912.

Cressida.

Toyota announces a rare car.

Cressida combines technology that is uniquely Toyota, with luxury that success deserves.

Here is more sheer comfort and prestige than one might reasonably expect.

A quick two litre engine gives you thrust without thirst–a very responsible consideration for thinking owners.

The instrument display includes, amongst other uncommon delights, a quartz crystal clock and fully integrated cassette stereo.

The front seats are infinitely adjustable,–and the driver's seat embodies a lumbar support zone which you adjust to gently ease lower back fatigue.

And because Toyota make the Cressida, all this luxury *is* on top of quality.

Not instead.

Cressida.

At the moment 5 speed manual $12,800 and automatic $13,300.

TOYOTA
Ahead in the 80's.

TOYOTA NEW ZEALAND LIMITED
Prices and specifications subject to change without notice

15708

Manufacturing

Polyurethane, wide wheel skates roll in new craze

by Lindsey Dawson

WHEN kids ask Mum and Dad for a set of wheels these days they're not talking about cars, but roller skates.

The skating boom has hit New Zealand again and for anyone who was smart enough to get into the business at the right time, the profits are rolling in.

Those involved hope the craze won't be as short-lived as the skateboard boom which was largely confined to adolescent boys. Roller fever is a family thing with both sexes from pre-schoolers up taking an interest.

It all began, of course, in the United States. Roller skates have been around for years and most adults will have memories of strap-on metal skates clattering noisily along suburban pavements.

Polyurethane is behind the new roller revolution. The new wide wheels are smooth and springy to ride on and the noise has been reduced to a smooth hum.

But all-weather venues for mass skating are few and far between. There are only three full-sized rinks in Auckland, at Mt Wellington, New Lynn and Mangere with possibilities of a new one on the North Shore.

The roller boom has meant a business bonanza for the biggest one, 2700 square metre Skateland rink at Mt Wellington, run by the Mt Wellington Roller Skating Club.

Manager Barry McDonnell is coping with up to 600 skaters at weekend sessions and is hiring new staff to handle the hordes.

Three thousand skaters a week are attending public sessions which take up only 24 hours of the week, and membership at club sessions is increasing rapidly. The club has bookings months ahead for school parties.

Skateland's turnover has gone up 350 per cent in the last 18 months. The burgeoning profits are being ploughed back into improvements, including a carpeted lounge with viewing windows onto the rink with its 80 metre speed track. The club has installed electronic games such as Space Invaders.

In keeping with trends overseas, the new rinks make skating a pleasant pastime in comfortable surroundings.

Discipline is strict. No hooliganism or anti-social behaviour is tolerated. It's a far cry from the seedy image roller rinks had in the old days.

American business people have been fast to capitalise on the possibilities afforded by the skating phenomenon.

A new glossy magazine, *Roller Skating*, is packed with ads featuring every imaginable roller accessory — from boot-shaped carry bags, protective gear, slinky skating clothes and even skating whistles so that skaters can warn hapless pedestrians that they're about to be bowled over.

The American teenagers are mad on roller disco — but McDonnell is reluctant to get into the disco scene at Mt Wellington.

He said: "Disco has a bad name in New Zealand — it's quite different from the States. We don't want to attract the wrong type of people."

Skateboarding parks are being invaded by roller skaters too. South Auckland's Skatopia is seeing five times more skaters than it did early this year, and it has also diversified into bicycle motocross.

The growth of skating mania is good news for two young Aucklanders who saw it coming, Andrew Donald and Mark Sandman, who run the Chica Motorboard Company.

They moved into the business two years ago at the winding down of the skateboard craze.

Modern polyurethane rollerskates were the coming thing, they were convinced, but had a hard job convincing buyers that skates would sell initially.

Sales started slowly, but by May this year the kids were taking to skating in earnest, and the August holidays were a boom. And now the Christmas orders are rolling in.

Chica is in an unprepossessing, but tightly secure building marked by a tiny sign — an intentional ploy for security purposes. Roller skates are a very marketable item.

The firm has to work hard to market the locally-made product.

According to a rink operator the kids prefer American skates and few parents travelling to the States return without a pair in their luggage.

Imported Taiwanese skates are also on the market at $85 or so — much less than the $120 comparable Chica skates go for.

The difference is mainly in the boots attached to the wheels.

"We could import footwear from Taiwan at $6 instead of paying $20 for New Zealand boots. But we prefer to buy locally because the quality is very much better," Do[nald] said.

"The Taiwanese footwear is totally inferior. It's the first thing that falls apart. And anyway we like to support local industry.

"Indirectly our firm probably supports about 500 jobs and we believe we're making a good product at a price that's relative to New Zealand costs," Donald said.

Chica, which makes a wide range of skates and accessories is one of five manufacturers in the skate-making business and two more groups are said to be considering entering the market.

The industry hopes that the boom has a way to go yet. Skating is being promoted as a fitness aid overseas, providing exertion without the jarring involved in jogging. Roller hockey is up and coming. There are 40 teams in Auckland alone.

Donald and Sandman expect skating mania to continue strongly right through next year but say they will keep a close eye on trends with a view to possible future diversification.

"Well, three weeks at the beach, staring at all those half-naked bodies, is not this doctor's idea of a vacation!"

Profile

Commercial watchdog seldom barks in public ear

by Rae Mazengarb

QUIETLY spoken, Allan Monaghan looks more like a retired colonel than a commercial watchdog.

He describes himself as a "fairly run of the mill" public servant, but concedes that because he has the status of an independent statutory officer, he is virtually his own master, subject neither to the pressures of the Trade and Industry Department, nor those of the political machine.

His "boss" — if he has one — is the Commerce Act.

As the Examiner of Commercial Practices since 1977, Monaghan has never been a publicity seeker. He has never volunteered a public statement during the time he has been in office.

That does not mean he is not prepared to take a strong stand on issues. "I don't shrink from making a decision," he insists.

In an age of mergers and takeovers — and the examiner sees only the biggest — it is rarely that Monaghan refers a proposal to the Commerce Commission.

Those who work with him say he has a remarkable ability to evaluate people and the business community, and as one colleague volunteered:

"In most cases his judgment has proven right."

Events since the Commerce Commission over-ruled Monaghan's decision on the L D Nathans-McKenzies takeover were beginning to show *he was right in* refusing to give his consent, the colleague suggested.

Something of "an old Greek scholar", Monaghan has an historian's ability to see what has passed and what is likely to evolve in the local and overseas markets, according to one observer.

But he remains very much a private and thoroughly modest man, in spite of the series of high-powered jobs he has held in a long career which includes wide diplomatic experience.

Born in 1917 in Otago, the son of a minister, Monaghan moved around the country during his youth.

He attended Canterbury University College, as it was then called, gaining a masters degree in Latin, and would have completed an English degree if he not joined the army in September 1939.

He served in the NZEF until 1945, when he moved to the War History Branch where he was the official archivist for seven years. He was responsible for the general compilation of war records.

He spent two years in the Cabinet Office before moving to the Trade and Industry Department.

Attached to the industries division for the eight years, he became engaged in the preliminary negotiations that resulted in the drafting of the Nafta agreement.

At a time when relationships between New Zealand and Australian manufacturers appear somewhat strained — though he confesses to having some doubts about how far the agreement has progressed — Monaghan is unwilling to make assessments on Nafta these days.

He was trade commissioner in Canberra at the time of Nafta's signing in 1966. Two years later he went to London; followed by a stint in Tokyo between 1972 and 1976.

Then he took on the job as the examiner, a position created just two years earlier.

It's an important job, Monaghan agrees, but he has done important jobs before. He used to be responsible for all our trade with Eastern Europe.

One person who has worked with him said Monaghan had proved a most "suited" examiner.

Perhaps its a reflection of his diplomatic experience, but Monaghan was not the type of person who could be "pressurised by the emerging corporate strategists", he said.

One business "strategist" who has often dealt with Monaghan describes him as "quick and practical in his approach".

He is open-minded, an important trait which makes company representatives approach him willingly on the subject of takeovers, to gauge his feelings before a proposal is formally submitted.

He is seen as a "benevolent overseer", the businessman said. But he has a genuine interest in promoting competition.

Monaghan describes his role strictly in terms of fulfilling the functions laid down under parts II and III of the Commerce Act. "When I look at a merger or takeover, the criteria are laid down . . . there is no way I could exercise personal preference," he says.

Does he see his role as effective?

"Partly." The purpose of the Act is to encourage the development of industry by encouraging competition. While it is possible to set conditions, "you can lead a horse to water, but you can't make it drink".

He admits that there are plenty of areas where there is not much competition. "It's a slow business".

"In some ways the legislation is not as strict on the business community as in other countries," Monaghan says.

Some practices which may be approved here are forbidden in other countries unless they can be positively justified.

His comments are guarded. Monaghan initiated the Visa inquiry, the major examinable trade practice case last year. The Commerce Commission endorsed his findings, but the Government decided only to maintain a watching brief on the subject.

Monaghan is quick to point out that he does not have any "personal" attitudes to business practices, monopolies, mergers or other like subjects. "I'm not allowed to."

But he does encourage the business community to come to him before they "break issues publicly". "I have established a personal way of operating," he says, explaining that he has no power to compel them to approach him.

He rationalises that an "open door policy" saves time.

The examiner holds the views spelt out in the department's annual report to Parliament. The report for the year ended March 1980, noted the substantial increase in the number of merger and takeover proposals compared with previous years. Those of greatest significance were large companies seeking to expand their interest and strengthen their competitive position.

Allan Monaghan . . . a "benevolent overseer"

The report noted a new and significant factor which Monaghan says the Commerce Act does not yet provide for — conglomerates. Conglomerate' activities spread through unrelated fields of business activity.

"The need for them, and the extent that they may assist or hinder the development of industry is a matter which will require careful examination in the future," the report said.

Says Monaghan: "I merely pointed out that this is a fact of business — companies are expanding by taking over other companies, sometimes in the same areas, but sometimes in quite different areas."

It has become a business reality, he says, that companies can grow either by expanding exports or taking over other companies.

The party being taken over is not necessarily unwilling, and when he looks into a takeover situation, he looks at who actually initiated it.

He sees no reversal of the trend. Philosophically, he says businesses are replaced, but there are "new units coming all the time".

Most mergers and takeovers he deals with are routine; others raise important issues. He cites the Broadlands-Challenge case. "Some (people) were surprised I sent it to the Commerce Commission."

With two years to go before he retires, Monaghan says the experience has been interesting. "I feel I've done a reasonable job," he says.

He says that, after some 12 years of travelling, he is not keen to do any more; rather he wants to pick up on investigating the things he worked on in the War History Branch. And he looks forward to golf and fishing.

"I'm not likely to die of boredom."

Insurance

Cashing in on chips creates employment debate

by John Sloan

THE harsh realities of new technology prompted the recent stoppages organised by the Insurance Workers Union. The union sponsored a series of newspaper advertisements and a professional, glossy brochure to promote its side of the argument.

The union's approach is clever: Pose a series of leading, disturbing questions and give an equally disturbing reply. What riles the employers is that many of the disturbing replies are based on facts rather than opinions.

The unions have selected quotations from leading figures in the insurance industry to bolster their case. The union's brochure, *Pressure on People* quotes New Zealand Manager for National Mutual, Gil Hoskins as saying: "By implementing the system we have cut down, effectively, from 43 people doing the typist and associated clerical work, to a figure of about 28. That represents a 35 per cent drop in the numbers of people employed in this area. So that's one factor.

"I think it's better because it's more efficient. It gives us the capacity to increase volumes without necessarily increasing staff. It's better in the sense that technological change is to my mind making the cost of machinery cheaper than the cost of employing human beings.

"I think that comes out loud and clear."

The union does not quote an item that appeared in the *Post magazine and insurance Monitor:* "The introduction of new technology should not cause large scale unemployment according to a British Department of Employment study group report called *Manpower Implications of Micro-electronic Technology.*

"The report emphasises that the failure to exploit the new technology would have more serious consequences for employment and the economy than its application ... The creation of new products and services will raise employment prospects... Successful adaptation to new technology depends on a flexible labour force and co-operation between workers and management."

The insurance industry is under conflicting, perennial pressures which threaten its very survival. These were recently identified by a British investment research team, whose conclusions are equally applicable here:

- Over-capacity, resulting in increasing competition because of lack of opportunities in other fields in a dull world-wide economic climate;
- The increasing effect of inflation on claims settlements;
- Rising operation costs;
- Persistent under-insurance;
- Little practical experience in relatively new lines, such as product liability and medical malpractice.

Not surprisingly, the symposium at the 1980 Annual Conference of the Insurance Institute was devoted to the impact of new technology. Tony Tate of IBM New Zealand Limited, commented:

"Confronted with a high cost structure and a small domestic market, New Zealand industry already faces enormous competitive pressures in local and overseas markets. Failure to introduce new technology will only lead to a further erosion of competitiveness and loss of jobs. Put simply, more jobs are at risk by failing to introduce new and innovative technology than by grasping the nettle and ensuring that we keep abreast of technological innovation.

"There is no evidence that administrative/clerical unemployment has increased significantly as a percentage of the total unemployed in the last four years. Also, as a group, it does not represent a significant percentage of the unemployed. Labour Department studies show that technological change appears to be a very minor cause of redundancy. In addition, the data processing industry is estimated to have created approximately 10,000 jobs in New Zealand in the last 10 years."

Lionel Laing, president of the Insurance Industry Industrial Union of Employers and local manager of Yorkshire-General, takes the view that technological change has always been with us, but the development of the silicon chip has occured faster than our capacity to adjust psychologically.

Laing believes the unions are taking a short-sighted view and are likely to jeopardise the interests of employees if they inhibit the introduction of cost-saving innovation.

In the past the insurance field was a labour-intensive white-collar industry. It has always embraced opportunities to reduce the drudgery of pain-staking manual systems, creating greater job satisfaction for employees and at the same time increasing service to policyholders.

It cannot be denied, says Laing, that some jobs may well disappear — the routine and boring jobs — but experience has shown that the faster work is processed the more staff are required to handle input and dissemination.

Laing says there should be less play made of the jobs that will go, and more emphasis put on the retraining of staff for the new positions created.

General Secretary of the Insurance Workers Union, Graeme Ogilvie, told *NBR* that the union was not taking an anti-technology stand.

"Our Campaign Employment showed quite clearly that rationalisation and technology in the industry had already had a marked effect on employment. We have more than 100 redundancies every year, often with devastating effects on the worker and their family. Other workers have kept their job but lost the promotion opportunities.

"Our campaign asks for no more than your quotations suggest. We seek this co-operation with employers and we agree that these long term benefits should include more leisure and richer lives."

Law

GG assumes new significance in troubled times

by Jack Hodder

THE installation of a new Governor-General next week has a political and constitutional significance which is probably greater than at any time in our short history of self government. There is a growing awareness that the office which Sir David Beattie assumes is not purely ceremonial and that its powers are not limited to the declaration of local holidays for school-children.

The office's significance was illustrated in the most dramatic form possible with the sacking of Gough Whitlam's government by Sir John Kerr. Closer to home, the 1977 appointment of a former leader and then current Cabinet member of the National Government linked the office with controversy.

The appointment of Sir David Beattie, a highly respected judge of the Supreme Court, has provoked no such controversy. But his assumption of office coincides with the development of two situations which have already produced close analysis of the powers of that office:

- The prospect of a 1981 General Election in which Social Credit electoral progress denies either of the older parties a clear majority in Parliament;
- The growth of the band of public figures converted to the need for constitutional safeguards.

The scope of the powers of the Governor-General is not widely known. In some areas it remains a matter of academic controversy. But some of the dustier chapters of the law give an indication of those powers.

The New Zealand Constitution Act, a United Kingdom statute of 1852:

- Establishes a General Assembly to consist of the Governor (read "Governor-General") and the House of Representatives;
- Empowers the General Assembly to make laws having effect in, or in respect of, New Zealand;
- States that the General Assembly shall be held at such time and place as the Governor (by Proclamation) appoints;
- Empowers the Governor to prorogue or dissolve the General Assembly at his pleasure;
- Makes it unlawful for the House of Representatives to pass any Bill requiring an appropriation of public monies without the prior recommendation of the Governor;
- Entitles the Governor to transmit drafts of laws which appear to him desirable to the House;
- States that the Governor has a discretion as to whether he assents to, amends and sends back to the House, or refuses to assent to any Bill passed by the House (until a Bill is assented to it cannot become law).

In May 1917 "Letters Patent passed under the Great Seal of the United Kingdom" (wielded by H M King George V) constituted the office of "Governor-General and Commander-in-Chief in and over Our Dominion of New Zealand" (the office had previously been "Governor and Commander-in-Chief"). The Letters Patent contain the power for the Governor-General to appoint persons as members of the Executive Council (Cabinet), but subject to any law enacted by the Legislature (the Civil List Act which limits the field to members of the House of Representatives).

Those very wide powers, together with the wide powers of appointment and regulation-making given to the Governor-General under a great many New Zealand statutes, are qualified by an instruction given by King George V contemporaneous with his Letters Patent.

The instruction reads: "In the execution of the powers and authorities vested in him, the Governor-General shall be guided by the advice of the Executive Council, but if in any case he shall see sufficient cause to dissent from the opinion of the said Council, he may act in the exercise of his said powers and authorities in opposition to the opinion of the Council, reporting the matter to us without delay, with the reasons for his so acting."

Governors-General (or is it Governor-Generals?) have regarded themselves as under the "strongest possible obligation" to act upon the advice of Ministers and, in New Zealand, have invariably done so. Thus Bills passed by the House of Representatives have not been rejected or returned for amendment.

The opening of Parliament has been determined by Cabinet (and announced by the Prime Minister). And the hundreds of regulations and statutory appointments bearing the gubernatorial signature are not original inventions but have been wheeled up by the various government departments through the Minister.

The two situations mentioned earlier — no clear majority in Parliament and demand for constitutional safeguards — are both discussed in an excellent essay by Professor Quentin-Baxter in a recent issue of the *Victoria University of Wellington Law Review.*

He deals with the first in a very short space: "It is not the function of the Governor-General to form a view about the relative merit of possible contenders. His task is the more humble one of finding the true successor, by ascertaining the will of Parliament. Where no party has a majority, it will be the normal course for party leaders to conduct their own discussions until a coalition identifies itself and its leader."

The professor is more expansive on the second situation. While not disbelieving in the possibility of the "supreme act of national will" necessary for a written constitution to take root in New Zealand (as advocated by a variety of both respectable and improbable public figures), he raises the possibility that a re-definition of the Governor-General's discretionary powers is a more readily attainable way of providing a check on unconstitutional executive action.

What Professor Quentin-Baxter specifically proposes is the passage of resolutions of the House of Representatives (with the prior approval of the Sovereign) setting out the redefined conventions to cover the exercise of the Governor-General's powers.

He concludes his essay by setting out five draft resolutions, one of which would be of fundamental significance: "If the Governor-General is of the opinion that a course of action, proposed by the Government and opposed by segments of public and parliamentary opinion, raises a question of constitutional principle... was not, before the most recent general election, a normal or foreseeable consequence of the present Government's assumption of office; and that these considerations are not outweighed by the present or pending emergency; he may so inform the Prime Minister" (who would then be under a duty to either modify or defer the proposal, resign, or advise the dissolution of Parliament).

Such a change would provide a dramatic improvement on the present constitutional position and yet avoid the many pitfalls inherent in the various notions of bills of rights and written constitutions thus far floated. Such a change also implies appointments to the office of Governor-General of the highest calibre. The Beattie appointment provides no obstacle.

Art

Modern's master nonchalant about millions

by Lindsey Dawson

DEFINITION of a wealthy man – one who owns some $20 million worth of paintings and says he's not interested in them from the investment point of view.

Baron Hans Heinrich Thyssen-Bornemisza says he collects art because he enjoys it. He does not buy in "a speculative way".

Such nonchalance is breathtaking. But when you are chairman of the supervisory board of a business empire turning over some 2.5 billion Dutch guilders a year, mere millions possibly assume lesser importance.

The baron talks in guilders because his business is based in Holland and the Dutch Antilles for tax purposes. The Dutch are kind to foreign companies, declining to tax them again after they've already been taxed in their countries of origin.

Part of the baron's art collection is on show at the Auckland City Art Gallery. Some 60,000 Wellingtonians have already seen it. Christchurch art lovers are next on the list.

There are 108 paintings in the exhibition, "America and Europe: A Century of Modern Masters". It's not often that New Zealanders have the opportunity to see the likes of Van Gogh, Cezanne, Monet and Degas. The baron has more at home – that is, one of his homes – in Lugano, close to the Swiss-Italian border.

He offered to send the exhibition to Australia and New Zealand when a Thyssen-built ship was launched for the New Zealand trade. The collection is travelling the country under heavy security, travelling in three aircraft to minimise the chances of catastrophe.

He was in Auckland for the opening of the exhibition there on October 8, having promised to attend at least one of the three functions.

Rumours have been voiced that the sending of the art collection was in some way connected with investment in the new Dunedin aluminium smelter. The baron denies any interest in the project. The Thyssen empire's only interest in New Zealand is a "small" Wanganui company making farm equipment, an offshoot of the Dutch Zweeger company.

"We've just enlarged the company here and it's going quite well. Most of its output is being exported to Australia." Apart from some ship-building that was about all he was interested in, he said. He replied "not at all" when asked if he was involved in the Dunedin smelter development.

It is hard for him to get away from it all. From the state suite in the Intercontinental Hotel he could look down on the container terminal and pick out the shipping containers belonging to a Thyssen-owned container leasing company in the United States.

About 50 per cent of his group's activities are in America, in companies dealing with packaging, glass manufacturing, car parts, pumps and information handling systems.

In Germany and Holland Thyssen activities include shipbuilding, other port operations, gas distribution, and agricultural machinery.

The baron inherited the business on his father's death in 1947. There is another brother who is a geophysicist. Much of his father's industries lay in ruins in post-war Europe. The building up of the empire must rank as one of the world's great industrial success stories. The baron admits to being proud of the achievement. The early years, he says, were "rather difficult".

Baron Thyssen . . . "not at all" involved in smelter development

He is a polite, rather stern man, with a weary smile and a soft voice which frequently tails off to little more than a whisper.

He shakes his head when asked about the unpopular image that multinational corporations such as his have acquired, and the fears that people have about the influence and power they wield. "I don't feel that I run any part of the world at all", he says.

"In my case the business is very diversified. The companies making up the group are much too small to have any kind of influence at all."

Commenting on world trends, he seems as uncertain of the future as anyone else. Arab fanaticism and their religious wars are worrying him, although he does not believe that anyone will "start throwing atom bombs".

He said he hoped the present recession would not deepen.

"There are some signs in the States that it's picking up a little bit. I doubt that it will pick up very strongly but I think that 1981 will be an improvement on 1980."

He feels a new situation would arise as many countries, like New Zealand, try to become independent in the energy field. "We might get a situation in the future where the Arabs are left with oil that nobody wants." For this reason he said the Arabs were investing heavily in alternatives to oil.

The baron's previous wife, the former Fiona Campbell-Walters, was born in New Zealand.

His wife and daughter also came to the exhibition opening. He has three sons, aged 30, 17 and six. The eldest is working in the business.

It's "a beautiful country", he said, and he would like to come on holiday again. But as for doing more business here? A rueful shrug. "It's a very small market."

Transport

Slicing the cake to leave more than just crumbs

by Bob Stott

THE conflict between private enterprise and State involvement in transport might be solved simply by allowing private operators more participation in the Government-run portion of the industry.

The business of actually operating transport and its administration, is not easily shared. Highly specialised skills are required and central control is pretty well essential.

But in the field of ancilliary services, there seems to be wide scope for more involvement by the private sector.

At a time when big business is seen to be getting bigger at the expense of small enterprises, farming out work by State enterprises would be specially suitable for very small undertakings – even one-man operations.

State transport undertakings do farm out some work – painting contracts, building jobs and so on come up for tender all the time. Some jobs which have traditionally been done by departments are now let out on public contract . . . others, once done outside are not any more – just to confuse the issue.

Years ago, railways refreshment rooms were leased out. Today the NZR runs them.

Years ago, NZR staff cleaned locomotives. Today locomotive cleaning contracts are let to private enterprise.

Taking everything into account, a job being done by a small firm tends to be done more efficiently than by people working for a large undertaking, whether that undertaking is Government or private in ownership. Efficiency in this sense seems to be related to size, rather than private or public ownership.

Most jobs which require skills already available could be offered to private enterprise, preferably in small contracts, with checks to ensure that a few firms could not grab all the work and end up with lifetime careers. If this did happen possession of a sheaf of Government contracts, renewable automatically every year could lead to a situation about as equitable as that surrounding possession of an import licence.

An obvious example is to make more use of owner-drivers for pick-up and delivery services. Some State transport does use owner-drivers but more use could be made. As Labour's Roger Douglas suggested in his alternative railways policy, Railways might be able to sell off trucks to staff, so that their drivers of today would be set up as owner-drivers. With such an owner-driver system firmly established, they could gradually move to an open tendering situation for future work.

Could Air New Zealand hand over all its ticket-selling activities to travel agents? Does the airline need to maintain down-town ticket-selling offices in cities replete with travel agents? More would be paid out in commissions but how much would be saved in overheads? (For that matter should the Government Tourist Bureau sell tickets?).

In *Time for Change*, Railways Manager Trevor Hayward speaking of track maintenance (26 per cent of operating expenditure) said that continued investment in labour-effective, track maintenance machines and "prudent use of contract forces" would be the main features in this important area.

Why shouldn't a fair amount of track maintenance work be carried out under contract?

Trevor Hayward . . . prudent use of contract forces

Roger Douglas . . . sell off trucks to staff

When the rail ferries started service, they were run by the Union Steam Ship Co for the Railways. Whether NZR runs them any better than the Union Company did is perhaps not as interesting as the point that the present "free enterprise" Government (to my knowledge) has made no moves to hand this job back to private enterprise.

There seems to be some reluctance on the part of Air New Zealand to hand secondary routes over to private enterprise. Does the Government encourage moves in this direction? Should it?

Could all airline catering be handed over to private firms?

Moves toward letting free enterprise invade the ranks of the State services would be sure to provoke resistance from the state unions. But the change could be gradual. The State sector might welcome a chance to do their own thing. The end result would be that the State transport unions would be smaller but the membership would comprise skilled people – with skills specific to their particular branch of transport.

When such a process has been completed, and the State transport organisations have handed over almost everything which does not require special skills or other qualities, would the user of transport be any better off?

Such a development is an alternative to wholesale deregulation and deserves consideration.

People are rightly concerned at the high percentage of total resources absorbed by the State. In transport this concern tends to surface in cries to deregulate transport and let free enterprise have a larger slice of the cake. But deregulation may bring a waste of resources and higher transport costs.

The private sector could get a larger share of the transport industry, and the least risky way of doing this would be for the State to remain in overall control, but work with private enterprise in some sort of partnership.

It might be no better than what we have, but it could be a good deal better than what we might finish up with.

Overseas trade

Putting heat on the Canadians – instantly

by Lindsey Dawson

A NEW factory in East Tamaki, Auckland, will keep many Canadians warm this northern winter. Recently opened, Robinson Industries plant, is producing an initial order of 50,000 American-developed quartz electric heaters under licence, and has high hopes of exporting to Australia and Asia.

The heater is the brainchild of former aerospace engineer Konrad Boekamp, of San Diego, who set himself up in business in a 2000 square foot factory two years ago. Today his plant covers 105,000 square feet and output in the coming year is expected to be worth $40 million.

Noel Robinson, whose firm also makes a range of small home appliances and Planhorse International products – modular systems for paper storage, access and display saw a Macy's ad for the heater when he was passing through Los Angeles early this year.

He went into the store and was so impressed that he phoned San Diego. Unfortunately the Kiwi accent can be misunderstood in America and the resulting mis-spelling meant that Boekamp was unable to get in touch again.

Boekamp was due to take off for Australia to have a look at manufacturing facilities there. His own plant was working at full capacity and demand was such that he needed more manufacturing capability.

Boekamp arrived at Los Angeles International to find that he needed a visa to enter Austraia and couldn't board his plane.

Result: Much frustration and one fired travel agent. "However, when I returned to San Diego a letter arrived from Noel in New Zealand. I was able to change my travel plans and was so impressed with what I found in New Zealand that I had to say to my Australian contacts that it was just a waste of time looking at Australian factories. I'd made up my mind."

The first New Zealand-made heaters have arrived in Canada, and Boekamp is impressed with the quality.

Most of the electrical components for the heaters destined for Canada are imported, because they have to meet Canadian Standards Association' guidelines. But most parts for the production line which is turning out heaters for sale here, are made locally.

Quartz heaters are not new, but Boekamp's is the first vertical, free-standing, room heater on the market, as opposed to wall-mounted, horizontal models. They produce infra-red heat which warms the objects before them rather than the air.

Boekamp calls it the Quartz Energy Saver Heater. It can be run at either 750W or 1500W. "It uses as much electricity as any other 1500W heater, but produces almost instant heat. You don't have to wait to get warm."

Quartz heaters were first developed in World War II to provide some warmth for cold soldiers huddling in concrete bunkers along the Maginot Line, where smoke from a pot-belly stove would have been a giveaway.

Boekamp became interested in them when he built a new room onto his San Diego home without enlarging his central heating system. The room was too cold for comfort on chilly winter nights, and he bought a quartz heater on a visit to Germany. It was so successful that it became a talking point with dinner guests, and prompted Boekamp to work on development of the heater as a hobby.

He was then the manager of quality assurance for General Dynamics and worked on test programmes for projects as diverse as the DC-10 fuselage, Project Mercury, the Atlas and Centaur rockets, the F1-11 fighter bomber and nuclear submarines.

He was with General Dynamics for almost 20 years – boom times for the aerospace industry. "It was a challenging time. I worked pretty hard and I enjoyed it". But the firm wanted him to move away from San Diego, and he wanted to stay put. When the crunch came, he decided to resign and develop his hobby into a business.

It took $100,000 of his own money to get the business going. "Nobody was willing to risk venture capital on a new product". His friends and some of his relations thought he was crazy.

He had seen a big decline in the aerospace industry however, and although General Dynamics is now on the way up again it is not what it once was.

In 1959 when Boekamp joined the company, the Convair division had 55,000 employees. By 1974 it was down to 6500. "I was one of the very few lucky ones. I moved up in the company as it went down."

Boekamp began importing German-made quartz heaters in 1972, but had problems with quality, durability and life expectancy and encountered American consumer resistance to wall-mounted heaters.

He was competing with alternative forms of cheap energy, but the Arab oil price hikes of 1973 helped to boost sales, when Americans found they couldn't afford whole-house heating systems.

He decided that a vertical, portable heater would sell best. He then had to develop vertical quartz tubes – a different technology from the horizontal type.

Quartz tubes are round tubes of fuzed quartz made from silica. The tube is filled with a special heating element. It runs at very high temperatures, getting as much as possible out of the infra-red spectrum while at the same time providing maximum life. The tubes are very fragile and expensive, but a special guard is designed to protect them from breakage. Life cycle tests run at 9000 hours.

He left General dynamics in 1974, and continued to develop his heaters. After two years he had three models on the market, cleared by the American Underwriters' Laboratories.

He leased his first industrial space in May 1978, and hired his first employee the next month. Now he has 550 workers turning out 6000 units a day, six days a week.

The new Robinson Industries plant in Auckland represents an investment of well over $500,000. The 15,000 square foot factory employs about 50 people.

Much of the expense in setting up the plant has gone into sophisticated machinery. Tooling and dies have been made by Robinson Industries' own toolmakers and $100,000 worth of tooling has been exported for use in the Boekamp plant in San Diego.

Boekamp came to Auckland for the official opening of the Robinson factory and to attend trade launches of the heater.

Pacific promotion pays off for top tour operators

by Allan Parker

AMBITIOUS and rapid international expansion by top tour operator Newman's Tours Ltd is on the brink of paying handsome dividends for the New Zealand operation.

In just over a year, Newman's opened offices in Australia, Japan and the United States in a major marketing drive aimed at capturing a greater share of the growing Pacific Basin tourist traffic.

Eighteen months later, that forward planning is now in position to take advantage of increased awareness of New Zealand as a tourist destination, particularly in Japan and the United States.

The company, says chief Tom Newman, is also operating in-bound traffic into Australia from the other destinations. In fact, Australian-based tours attract three times more traffic from Japan than New Zealand.

But the new Tokyo-Auckland link is beginning to show results and Newman reports that forward bookings from Japan are "way up on last year".

During the international expansion, the Australian base went straight into profit. The other two centres have been slower; the Los Angeles office is not yet paying its way. But, says Newman, the company did not expect the American operation to produce immediate results. Rather, he expected a two to three year build-up period.

Marketing in the American market has been two-pronged. The more traditional coach tours and "special interest" group tours — an avenue which would appear to offer New Zealand scope for further marketing drives.

These special interest groups comprise groups with a common interest or expertise who are interested in a holiday in the sun, with a chance to talk and shop — a sort of busman's holiday for the wealthy.

Newman's sell the tours through travel agents of tour wholesalers in the United States. They tend to be direct-sell and the rewards can be good. For example, Newman's have handled tours from groups such as orchardists and horticulturists. They club together to get discount rates and throw in a few pre-arranged visits to areas of interest associated with their work.

While none of the promoters are particularly anxious to advertise the tax-deductibility of these tours, that aspect is proving of considerable interest to such groups and clearly offers scope for increased New Zealand marketing.

Certainly, says Newman, there has been increased American interest in the South Pacific as a holiday destination is growing, particularly as Europe has become such a high-priced holiday venue.

The gearing-up of its marketing operation in these Pacific Basin centres indicates a belief in long-term tourist growth by Newman's.

Already Newman is forecasting significant growth, he says income from all overseas sources will grow by 25 per cent to about $20 million this year.

Luxury liner ups anchor for seminar cruise

by Gordon McLauchlan

A STYLISH mixture of business and pleasure will take place on the Pacific Ocean next month when a group of high commercial velocity Australian businesspeople join a special at-sea seminar on "the role of business in the modern world".

The seminar is being backed by Melbourne radio talk station 3AK and P and O Cruises aboard the "love boat" — the luxury cruise ship Sea Princess.

The businesspeople will be on a normal 14-night South Pacific cruise out of Sydney (from November 6) visiting Brisbane, Noumea, Vila, Santo, Suva and Lautoka and will have social meetings with local businesspeople at some of the ports on the way.

Spouses are invited on what must be the ritziest tax-free convention of the year.

The four men who will conduct the seminar are:

- Russell Prowse, former assistant general manager of the Bank of New South Wales, who will discuss: banking in Australia, monetary policy, the use of banking services by individuals and businesses, and the impact of changes on Australia's role in a changing world, with emphasis on Asia.
- Trevor Sykes, deputy editor of *The Bulletin* and the "Pierpont" columnist, who will discuss the role of the financial press in business, news values and public relations.
- Merv Lincoln, senior lecturer in business administration at the University of Melbourne, who will look at the financial trends of the 1980s, pricing policies, management of working capital, capital investment, take-overs and acquisitions.
- David Maxwell, deputy general manager of TCN9, Sydney, who will look at the role of television and radio in business and how they can best be used.

The fare for the cerebral binge is $A2801 each for a twin cabin on a share basis with $381 extra if you want sole use of a cabin. The fare covers just about every need — all seminar lectures, including prepared lecture notes, meals, a stocked refrigerator in the cabin (or special bar credit when there is no refrigerator in the cabins, which have full private facilities), shore excursions at each stop and, if you live in Melbourne, a first-class air fare to Sydney and back to catch the ship.

P and O is now looking at the prospect of putting together a couple of seminars or conventions out of New Zealand during cruises next year. The cruise boom round the world holds up better than almost any other form of tourism.

Cruise lines are flying higher than airlines right now and it is as much the special interest group as anything else boosting the attraction. Passengers out of New Zealand last year jumped by 49 per cent over 1978, and the past winter has been a boomer with revenue in July 76 per cent ahead of the figures for the same period in 1979.

Sea Princess gets a lot of rub-off glamour from the television *Love Boat* series, filmed aboard P and O sister ships, Pacific Princess and Island Princess. And 20th Century Fox is looking at scripts for a couple of *Love Boat* episodes to be shot on a South Pacific cruise, aboard Sea Princess, early next year with story-lines involving Australia and perhaps New Zealand and other South Pacific destinations.

Plans are for two two-hour specials from the Sea Princess. The shooting will be during normal two-week cruises. The cruises will be sold as *Love Boat* specials because passengers have to be warned that parts of the ship will be inaccessible on occasions during the cruise, and because they might even become "extras".

If the experiences with the Princess are any guide, Australians and New Zealanders will flock to book cabins on the Sea Princess *Love Boat* cruises.

Fijian airline plans aggressive expansion campaign

by Gordon McLauchlan

AIR Pacific, backed by the Fijian Government, is launching an aggressive expansion programme to ensure the continued growth of tourism, Fiji's second biggest industry (after sugar).

The major international airlines no longer need to stop at Nandi for refuelling on the long-haul up and down the Pacific. Those that do stop are trying to keep their passengers aboard to the end of the line with point-to-point concession fares.

Pan Am recently pulled out of Fiji. The big American carrier has, over recent years, taken about 10,000 passengers a year into the country from North America.

Continental is still calling regularly but is taking delivery of new DC10-30 equipment which will give it the ability to overfly Fiji if economic factors dictate.

The response of the Fijian Government has been to inject $2.7 million into Air Pacific and encourage the fledgling carrier to go out after the country's traditional tourists — Australians and New Zealanders.

South Islanders can go to Australia more cheaply than to Fiji because they fly direct out of Christchurch. Those whose destination is Fiji have to add a costly domestic fare to Auckland to the holiday's expenses.

So, Air Pacific is now looking at premises and staff for Christchurch; plans an office in the southern city by around April next year; and could be flying in weekly with a 737, or more probably a 727, by October next year.

Direct links with Sydney and Melbourne are planned and an office opened in Sydney this month. The betting is that a three-week service from Fiji to Sydney will open about April next year, with a two-a-week to Melbourne a few months later.

FIJI . . . currency difference keeps Kiwis away

Air Pacific already flies six times a week into Brisbane, linking with Honiara, Vila and Noumea on the way in or out on various services, using a BAC-111.

The airline is flying a leased 737, and takes possession of its own next year. It may continue with the present leased 737 and even lease another (from Air New Zealand?) if business gets brisk enough. It is more likely to try for the bigger, longer-range 727 on lease, probably from TAA which takes delivery of Airbus equipment early next year.

Meanwhile, Fiji is going to be struggling to build tourism from New Zealand as room rates in resort hotels soar and as the currency relationship deteriorates for New Zealanders. The exchange is hovering round F75 cents for $NZ1. A room at The Fijian hotel now costs F$78 a day.

But New Zealanders, after baulking at prices in 1978, started going back in the thousands last year. They paused again at the beginning of 1980, down about 5 per cent, but the August figures again showed a significant jump. And they are now staying longer than in 1978 (eight days instead of seven).

Last year, 44,434 New Zealanders visited Fiji, about 22 per cent of the total 188,740. In 1978, the number was 40,825, nearly a thousand down on 1977. This year the figure could come out somewhere near 44,000 again. Australians are the biggest market with 73,191 visitors last year, just on 41 per cent of the total.

Fiji's Minister for Tourism, Transport and Civil Aviation, T R Vakatora, makes it clear that the Government there sees New Zealand and Australia as the main market and will push hard to grab a bigger share of it. That is the major reason for the strong backing of Air Pacific to provide a network of links with cities in the two countries. The currency is a problem but Vakatora says he cannot see a Fijian devaluation in the immediate future.

"It's not that the Fijian currency has been kept so high, it's New Zealand that devalues," he told *NBR*. "At one time you may recall the relationship was the other way round but now it has come the full circle ... This is the result of policies by governments both here and in New Zealand I know it has some effect on the tourist industry but currency values reflect the total picture."

The question facing the industry in Fiji is: Can it match the competition from Hawaii for New Zealanders? The ground content in Hawaii is at least one-third cheaper and it depends on how long the stay is whether the higher air fare for the longer distance makes up the difference or not.

In the meantime, Fiji is getting 100 per cent growth in tourism from Japan. About 4000 Japanese tourists called in 1979, mainly aboard Japanese Airlines charter services.

With the scheduled services this year by JAL and Air New Zealand, touching at Nadi on the way down and back, the figure is expected to reach 8000. Six or seven days of visits from 8000 Japanese this year is proving a lucrative source of tourism revenue.

The Fijians seem a little uneasy with the Japanese. They have opened an embassy in Japan and plan Fijian Visitors' Bureau representation soon. But they have not tended to go bilingual for the sake of the new visitors. If you talk to the Fijians you can sense a diffidence in their attitude towards Japanese visitors. It may be a culture gap that remains to be bridged.

Meanwhile the Japanese have not bought links in the tourism chain as they have done in some other destinations. Japanese interests own Mana Island but have sold former holdings in Pacific Harbour. There are signs of some renewed activity with a huge new Japanese restaurant going up near Pacific Harbour but there are plenty of resort hotels up for sale in Fiji and the Japanese have not picked up any of them. Fiji's duty-free buying has little to offer Japanese, but they have shown strong interest in souvenirs and artifacts.

Optic fibres offer key to future communication

by Elaine Williams of the *Financial Times*

THE telecommunications industry is on the threshold of a revolution made possible by hair-thin strands of glass called optic fibres, which eventually will replace the increasingly costly copper cables on which telephone systems are based.

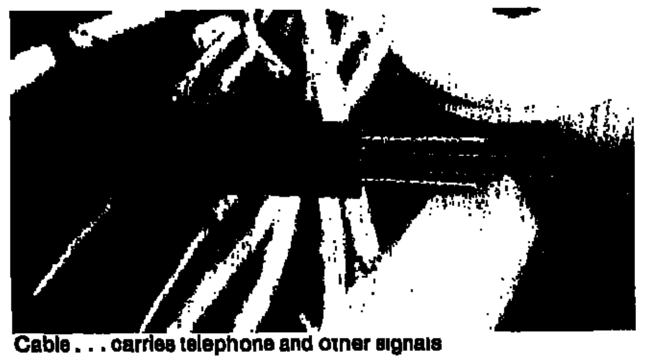
Each tiny strand of optic fibre is made up of two different types of glass. This ensures that when light is projected down one end of the fibre, none of it escapes through the walls and almost all the light appears at the other end. Even if the fibre is bent into a loop, light will travel down the fibre in apparent defiance of the law that light travels only in straight lines.

In reality, the light bounces its way down the inside of the glass.

Single strands are gathered into bundles to make a cable, and a steel rod is built into the cable to give it strength. Although the complete cable is far smaller than a conventional copper cable it can carry an enormous volume of telephone calls and other types of telecommunications' signal such as telex, television and computer data.

Information, which is carried in the form of coded digital pulses, is superimposed on to the light signal which travels down the glass. The light itself is generated by a miniature laser or by a light emitting diode (LED). At the end of its journey the light signal is decoded into its component parts.

Optic fibres – a British invention – have advantages over conventional links that extend beyond size and operational capacity. They are immune to electrical noise or interference generated by outside sources. If an optic fibre cable is buried in the road it will not be affected by ordinary cables lying beside it. Conventional cables, on the other hand, have to be carefully screened from their neighbours.



Cable . . . carries telephone and other signals

Optic fibres can also carry signals much further than copper cables before the signal needs to be electronically boosted. This reduces the cost of installing repeaters – as telephone amplifiers are called – in ducts under the road.

The British Post Office has been encouraging manufacturers to move ahead with the development of practical systems even though it will be several years before it becomes a major user of optic fibres. Even so, it has spent several million pounds installing systems within the existing telecommunications network to gain the practical experience.

Major manufacturers that have provided equipment for such systems are Plessey, BICC, the General Electric Company (GEC) and Standard Telephones and Cables (STC). All have trial systems operating.

Plessey last year installed a link between Slough and Maidenhead in southern England. Many more are planned.

The industry does not expect to make substantial profits on fibre optics until later in the decade, but when growth does occur it is likely to be fast. By 1987 some market analysts expect the market value to exceed £60 million, with applications in telecommunications accounting for the largest share.

The British Post Office became interested in the possibilities of optic fibres soon after two socientists working at the Standard Telecommunications Laboratories presented a paper on the subject in 1966. The Post Office worked closely with the laboratories and with Sheffield University to find suitable sources of glass materials and to look at the practical requirements of optic fibre telecommunications systems.

By the end of 1977 several of the major British manufacturers had demonstrated optic fibre equipment in working situations and the Post Office had tested its own system. This included a 6 km link between its research centre at Martlesham and Kesgrave in eastern England, and a 13 km cable between Martlesham and Ipswich.

In 1977, STC inaugurated its own link between its laboratories in Hitchin and Stevenage to the north of London. GEC's experiment was carried out between Uxbridge and Ruislip along a 7 km route in west London. Plessey's 14 km link was between Maidenhead and Slough.

The next step from these experimental systems was to install production systems so that industry could gain further experience in the manufacture and installation of both the cable and the equipment. This would also allow the Post Office to gain operational experience of the new transmission medium.

The Post Office selected 18 possible routes for proprietary systems and invited tenders for these routes. Each tender was assessed against a variety of criteria, including the important one: that the optical fibre system should not cost significantly more than the conventional equipment it was designed to replace.

Eventually 15 routes were chosen and in April 1979 the Post Office placed orders for a total of 34 systems for these routes. The total length of the routes is 450 km, and the total cable length 3600 km.

The longest route to be installed by GEC and completed by 1982, will run 74 km westward from London to Reading. The second longest is a 61 km cable from Basildon to Colchester in eastern England, to be completed by STC in 1982.

In addition to inland routes some work is being carried out on submarine cables. Early this year the cable ship Monarch laid a 9 km loop of cable made by STC at Inveraray in western Scotland. This trial is specially important to STC because it is a major exporter of submarine cables.

But optic fibres have uses other than in telecommunications. In the security field, Pilkington has been involved with the development of fencing that has optic fibres woven into it. Each section of fencing carries a fibre with its own identification signal. If the fence is damaged the breaking of the fibre eliminates one of the signals to identify the location of the break.

There are other applications in medicine. For example, fibre optics allow doctors to view organs inside the patient. One fibre carries the light to illuminate the stomach while another transmits the images.

The X-ray and other electronic equipment used in hospitals generates high levels of electrical interference, and patient monitoring systems and record-keeping computers need to be protected. Optic fibres are being considered in this context because of their immunity to electrical noise.

Pilkington specialises in industrial applications and has a commercial unit that offers complete systems to engineers. The company has decided to look at communications in factories and offices because they are seen as important growth areas in the next ten years.

Chemical and manufacturing plant present problems of high voltages and high electrical noise levels, and danger from explosive and corrosive gases. Further automation of process control in factories will remove workers from such dangerous environments, but will create a growing need for reliable communications between man and automatic machinery. Optic fibres are likely to provide a solution to this problem.

In 1978 the communications needs of a major British oil refinery were assessed in this connection, and at the same time CERN, the European nuclear research organisation, investigated possible applications.

According to STC, there are many applications in the relatively new field of hydrospace. One application of interest to STC was a communications system to provide television and data links for robot submersibles that were subject to electrical interference from the umbilical cables used to control the machine.

The electricity generation industry is expected to be a major user. Many substations have telemetry and control communications systems that are in close proximity to conductors carrying thousands of volts with large potential ground differences. It is possible that in a typical substation, the heavy multi-pair copper cables linking the transformer and the switching points to a central control could be replaced by optic fibres.

In 1978 it was estimated that nearly 70 per cent of optic fibre installations were for telephone networks, 10 per cent for common antenna and closed circuit television systems, 10 per cent for military applications, 3 per cent for data links, 3 per cent for industrial applications, and 3 per cent for power stations.

The optic fibre has been described as one of the most exciting inventions of recent times. It has generated interest worldwide, and clearly its development has barely begun.

Effects and encroachment spelt out to PO staff

by Rae Mazengarb

THE Post Office Union has taken the initiative in helping its 38,000 members assess the likely impact of their working environment.

With the co-operation of the NZPO, the union has completed a report which — while not a definitive documentation of the new technologies — is intended to help union members understand something of the challenges of the future.

The report does not detail how many people are likely to be affected by developments because – as it is pointed out – the subject of technology is so "fluid".

"Because of the extent and the pace of technological changes it is very difficult to produce a clear or stable picture of the overall effect on NZPO employees," the report says.

But it suggests there is an urgent need for Government and all sectors of the community to come to grips with the "encroachment" of new technology into their lives.

"... it is disconcerting to note that very little research has been undertaken on the likely effects of the all-embracing microprocessor and other advanced technologies on the workforce and economy," the report says.

The report was called for at the union's conference last year.

Terms of reference were:

- To identify as far as possible the nature and extent of the technological changes likely to be introduced into the Post Office during the next five years;
- To assess the effects of these changes on the various sections of union membership;
- To assess the likely effects on future patterns of demand for Post Office services;
- To establish the policies and attitudes of the union toward these changes.

The five-year period was seen as the maximum, realistic time span on which reasonable predictions could be made. But, it was noted that more futuristic plans could be brought forward by unpredictable political or technological developments.

For example, during the study the Communications Advisory Council solicited submissions concerning the proposed introduction of a viewdata-type service.

The report notes that the Post Office itself had been told such a service would not be necessary for 10 years, but strong lobbying by private-sector interests prompted a change in the Government's thinking.

The report details the pace of technological change on the world scene, relying on research done by PTTI, the international trade union organisation to which the union is affiliated.

It points out that while the country cannot afford to ignore technological developments, two major questions should be examined in terms of the benefits:

- Will there be jobs for the people who are replaced by machines?
- Who will benefit from the increased productivity and national growth?

"The effect of new technology on New Zealand will depend on how it is introduced, by whom, and how it is used," the report states.

It oulines potential developments in the tolls, telegraph and international telecommunication service area – as advised by the NZPO — and comments that most of the proposals will involve "a serious downturn in future staff numbers".

The effects of computerisation and new technologies in the savings bank area will be considerable and initial effects could be felt during the 1980s, the union says.

In the postal service area, the increased charges and the private sector entry into the more profitable postal services "already impose a serious threat on the retention of job opportunities".

The introduction of electronic mail services is likely to have a major influence on the future structure of postal staffing. The NZPO is already closely monitoring overseas development.

Proposed developments in the clerical area are viewed by the union as representing "a serious erosion of traditional work".

In the engineering fields, the union suggests that advancing developments will lead to a de-skilling of the workforce, since an increasing amount of design and programming work will be carried out by the manufacturers of the equipment.

This "black box" technology situation will lead to many of the more interesting and more demanding work being transfered to computers.

Engineering staff could become involved in routine clerical and marketing activities, jobs for which they are technically over-qualified, the report says.

A section of the report is devoted to a factual description of 40 different Post Office services and individual technolgoies as they are developing world-wide, followed by comments on the likely impact of each in the employment area.

Of all the new technologies, optical fibre transmission will probably have the greatest impact on the future of the underground plant area.

The predominant attraction of optical fibres will be in the junction network where its use will give rise to a reduction in duct expenditure when new plant is installed. But the union says that once installed, this type of cable will not be labour-intensive. As the technology becomes more widespread it will certainly make inroads into the staffing levels of the construction and maintenance branch.

While the report points out clearly that "traditional and inflexible staffing policies" can no longer function satisfactorily in the future," it argues that no officer should be declared redundant because of the introduction of new work methods.

The NZPO has indicated that where proposed technological changes are likely to have an important impact on staff, joint consultation between the union and the Post Office will take place prior to any decisions being made to adopt those changes.

Consideration will be given to matters such as effects on staff, job satisfaction, training, employment opportunities, the availability of qualified staff as well as technological and cost consideration and service to customers.

Technological information covering details of particular new technology equipment will be made available to the union.

The report focuses on the question of advance notice of the intention to introduce new equipment and systems.

The union emphasises the need for joint consultation to take place at all stages during planning, development and implementation, to more easily facilitate redeployment. Further, it urges the Government to recognise the need for the Post Office to have every opportunity to move into new fields and have a clearly established right to provide new postal, banking and telecommunications services made possible by new technology.

The union says the services provided by the Post Office must continue as a combined business enterprise under public ownership.

DFC makes push for US investment money

by Allan Parker

ON the eve of a promotional push for its United States operation, the Development Finance Corporation has brought back San Francisco representative Chris Parkin to relate to regional staffers the investment opportunities for clients.

The corporation has spent two years and some $200,000 establishing a base on the American west coast and is now opening the doors for increased business.

Parkin sees the basic role as finding American investment money for New Zealand-based projects. "We are concentrating our efforts on small to medium-sized companies with products that incorporate new technology, require skilled labour, are insensitive to freight costs and do not suit mass production runs," he says.

He believes engineering offers big potential along with electronic industries.

Parkin reports a high degree of awareness among United States businessmen of New Zealand as a "friend". But the possibilities for investment in joint venture, export-oriented projects are not so well known.

But a big selling point is proving to be New Zealand's export incentives scheme; once United States companies are briefed on the various incentives available they respond enthusiastically.

Parkin cites one case where a Denver manufacturer was on the verge of signing a licensing venture with a Japanese company. After being told about the export incentives available in New Zealand, the company has held off signing the deal until an investigation of possible New Zealand involvement can be made.

Another plus for New Zealand, says Parkin, is the local environment – we speak the same language, have a legal and taxation system the Americans can understand and rely on, and "they see us as culturally similar".

Results from the first US-NZ joint manufacturing venture to be set up by the corporation's American office are encouraging.

The factory began operations earlier this year and is already trading profitably; the American investor is reported to be so pleased that increased investment may be forthcoming.

Parkin also suggests that New Zealand manufacturers looking for a slice of the United States action should consider teaming up with or even buying out a United States company rather than look for an important/distributor.

"The United States market is probably the most competitive in the world. To break into the market it can often be better done by getting involved directly with a local manufacturer."

As an example, he suggests buying controlling interest of the United States company, thus securing a market share, and then gradually transfer the production back to New Zealand.

An added benefit is the acquisition of already-developed technology which could be beyond the resources of the New Zealand company and which could be used in the Australasian and South-east Asian markets.

And there will be no problems from the United States side: "The United States is one of the freest capital investment markets in the world; you can buy and sell or do virtually anything and there'll be no protest."

Parkin fully supports New Zealand export drives to the United States and notes that although it is the largest exporting nation in the world, exports account for less than 10 per cent of GNP.

"That gives you an idea of the size of the market," he said.

But he also considers that too many New Zealand companies destroy good chances of export success by concentrating on the Los Angeles area.

"Certainly it's a big market, but after New York it's the most competitive one in the United States."

He suggests companies look further north to San Francisco, the north-west coast and even inland centres for export pushes.

But first try out the Australian market: "It's right on New Zealand's doorstep and you can guarantee that whatever difficulties you find in getting into Australia, the United States will be 10 times worse."

Bank reveals booming underground economy

Melbourne Correspondent

THERE has been a remarkable growth since 1970 in Australia's underground economy – the sum of legal and illegal transactions involving cash, barter or labour which either go unreported to the appropriate authorities or are not detected by conventional statistics – according to a report by the Commercial Bank of Australia.

The CBA estimates that this underground economy amounted to nearly $A11,000 million or 10 per cent of the nation's Gross Domestic Product during 1978-79.

It can operate under many guises, from housewife and tradesman activity, through controversial areas of tax evasion, hidden company perks and bribes, to the hard core world of drugs, prostitution, and gambling, the bank says.

The CBA report attributes the growth of this underground economy to a variety of factors:

- The growth of government regulations, prohibitions, and reporting requirements which encourage firms and individuals to avoid the associated costs and problems of legal employment;
- The imposition of taxes which encourage activities to go "underground" to avoid payments that seem disproportionately high compared with income earned;
- The rising inflation rate, which has pushed individuals into higher tax brackets, and provided an incentive to seek alternative sources of income that are not detected;
- The growth of certain illegal activities such as drugs, gambling and prostitution, which are transacted in cash and reflect the type of society we live in;
- The ever increasing level of transfer payments in the form of unemployment benefits, pensions, medical care and so on, which are often a disincentive to work in the legal economy;
- The increased leisure time resulting from the reduction of working hours since World War II which is frequently used to earn extra untaxed income in a second job (moonlighting).

CBA's chief economist, Bob Graham, said the extent of the underground economy meant the GDP was underestimated by about 10 per cent, and agreed that this had serious implications for Government planning, particularly in relation to taxation.

Since taxes are imposed on those who record their transactions, the extent of the nation's underground economy "increases the tax burden right across the board", Graham said. There were also other problems for the Government posed by the underground economy. Many of the policies introduced to correct adverse economic trends prove subsequently to be ineffective, partly because of the way the underground economy distorts the statistics relating to unemployment, growth, and inflation.

Employment statistics cover individuals in the labour force. But, those who are employed in the underground economy are excluded from statistics, thus understating employment levels.

At the same time, unemployment statistics could be overstated by including those people who work in the underground economy and have no intention of working in the legal economy, yet register as unemployed so as to receive benefits. Hence, an element of "disguised employment" distorts these statistics. This causes policy-makers, aiming for full employment, to plan from a base of incorrect assumptions.

The CBA report says that if the underground economy is growing faster than the legal economy, economic resources will shift from the latter to the former. Further, as the rate of economic growth is measured only in the legal economy, actual economic performance is understated.

At the same time, inflation in the total economy is overstated. Workers in the underground economy do not pay tax and so are prepared to accept lower wage rates than those in the legal economy.

Suppliers of other inputs also avoid government-induced costs, and are prepared to accept lower prices for goods and services produced. Both the level and rate of price increase in the underground economy are therefore lower than in the legal economy, with the result that the officially recorded inflation rate over-states the true position.

Furthermore economic data concerning savings and consumption are understated, because part of the income from which savings and consumption are drawn is underground income, which is excluded from official calculations.

The underground economy cannot be eliminated says the bank, but it can be reduced.

Starting this time . . . and they're on the way

by Belinda Gillespie

IT's running time again. This year, the shoes are thicker, the shorts shorter and the T-shirt graffiti even more vulgar than last.

Not that running time ever runs out for the faithful. But on these spring mornings and evenings, the ordinary, ambulatory pedestrian sticks out like a man in a business suit on a topless beach.

Garishly dressed, runners jostle for space on the suburban pavements. They haunt the motorist on remote roadsides normally regarded as the sole prerogative of the car.

Running is well into the third wave. At a non-statistical guess, the first wave of hard-core harriers, footballers and would-be John Walkers remains fairly constant.

Men of all ages and occupations rose from their desks, gave up their lunch-hours and forsook family life in the surge of the second wave.

Women, less fearful of coronaries, shy of putting on shorts, or just otherwise occupied, were slower to join the fun. Those who did were mostly the neat, nippy kind who nonchanlantly became marathon winners after years spent with their talents obscured by motherhood and housewifery.

But women are right on the crest of the third wave. If men past the age of 30 can flash their thighs in the street, women can too.

"Stepping Out," a radio series on running for women, has brought female runners out in droves, and cleaned the shops out of running shoes.

All ages, shapes and sexes now mingle in the runs for fun. With the unisex gear, short hair and whippet-like bodies, acquired by practitioners of the art, sexual distinctions are irrelevant anyway.


Running . . . well into the third wave

Runners are distinguishable only by their shoes, which in their enormous variety and price range are the basis of a caste system – complete from elites to untouchables. Beside shoes, mere variables of age, sex, race and politics are insignificant in the runners' world.

As with smoking, there are two schools of thought about running.

Cigarette companies can produce clear medical evidence that smoking enhances growth, clears the lungs, prevents coronaries and builds bonny babies.

Non-smoking doctors, however, can prove that smoking stunts babies, clogs up the lungs and increases the risk of every disease you can think of.

Members of the public simply line themselves up with fellow smokers or non-smokers according to habit, and abide by whichever medical view suits them.

Running and non-running practitioners are just as clearly divided, each group pouring public contempt on the other as often as possible.

All runners know that medical science has proved that running causes weight loss, improves the heart and lungs, cures constipation, insomnia and depression, builds energy and confidence and makes no end of difference to high density lipoproteins and cholesterol.

They know too that anyone who disputes these claims is a fat slob who couldn't tell an Adidas shoe from a gumboot. Rude insults from non-runners are no surprise – they are simply green with envy at runners' radiance, slimness, sex-drive, lack of disease and other amazing attributes.

While 1979 was a peak year for anti-jogging literature in medical journals and the press, pot-shots still appear. The disabilities listed as a result of running by its opponents make grim reading.

Chafing, split shins, knee, heel and back trouble, dehydration, heat-stroke, joggers' nipple, penile frostbite, osteoarthritis and sudden death are just a few of the hazards of running, according to those who oppose it.

Anti-running doctors say running appeals to ambitious, competitive personalities who are already prime candidates for heart attacks, and are likely to drop dead in their running shoes as they push themselves to the edge.

To those who don't, those who do run are clearly guilt-ridden masochists bent on getting the rest of the world to share their pain.

Non-runners are bored stiff by conversations about runs and running shoes. They cling to the wisdom of John Maynard Keynes, as quoted in the *Non-Runners Book*. "In the long run we are all dead."

Government administration

Departments move to local product purchasing

by Allan Parker

THE recent winning of a $7.6 million contract by Christchurch's CWF Hamilton to build rolling stock for the Railways Department signals important developments for local industry.

The contract was won after Hamilton's bid, in open tender against a dozen local and overseas competitors, to build 200 PK wagons over the next 18 months.

It is the first such contract won by a New Zealand manufacturer for about 15 years; previously, all such contracts have gone to lower-priced overseas suppliers.

Hamilton group managing director Dick Georgeson said the contract reflected a growing competitiveness by local industry with overseas suppliers, who are facing increasing freight costs among other price factors.

Also, it reflects the growing technical and quality capabilities of local industry.

"We find this aspect most encouraging," Georgeson said.

Railways assistant general manager (engineering and development) Bob Henare agrees with the assessment.

The Hamilton bid was won "on pure direct competition", he said. The department had long had a policy giving preference to local people but "up until now they simply haven't been competitive".

"And, being a trading organisation, if there is a great differential we have to take that into account."

The Hamilton contract is perhaps one of the more public indications that New Zealand industry is able to compete with overseas manufacturers for the annual $900 million worth of New Zealand Government business handled by the Government Stores Board.

But behind-the-scenes there is recognition of the increasing sophistication shown by local industry hoping for a share of this business.

Stores Board secretary Bob Mortimer has recently been talking to manufacturers, notably engineering manufacturers, about GSB policy and procedures. He has also visited a number of factories around the country to examine local ability.

He reports: "... Of particular interest to me was the high percentage of local content achieved in the manufacture of many lines of mechanical plant.

"These were in no way mere assembly operations, as is often believed in departmental purchasing circles."

The board has forged a close working relationship with the Manufacturing Engineers Federation, which itself notes a "substantial improvement" in that liaison which regarded as "very satisfactory".

As virtual overlord for the purchasing of all Government departments, the Stores Board plays a vital role in fostering local industry. It requires departments to follow rigid tendering criteria when purchasing.

Some $700 million worth of goods, equipment and services bought by Government each year is placed on the local market after scrutiny by a departmental tenders committee composed of senior departmental officials.

The Stores Board itself lets contracts for another $200 million a year for bulk purchase of materials to be used by a number of departments. These items include such equipment as typewriters, paint and toilet rolls.

There is little room for confusion in purchasing decisions when only local suppliers are involved — they either provide the right price, quality and delivery, or the contract goes to their competitors.

But in the area of direct Government imports there can be uncertainty, doubts and suspicions aroused when tenders from overseas suppliers are accepted in preference to local bids.

The area is one in which the Manufacturers' Federation has been actively campaigning for a greater degree of New Zealand preference.

It has asked Government to ensure departments take all reasonable steps to maximise local content. It also wants local, regional and special purpose bodies, boards and corporations to be encouraged to give preference to suppliers with the highest local content.

Ad hoc, quasi-government bodies operate virtually uncontrolled at present (*NBR*, September 29).

The federation has even suggested that "the extent to which these institutions voluntarily comply with the policy laid down for Government departments will be taken into account in approving budgets and/or loan applications".

Federation assistant director Lindsay Rollo sees a need to impress "upon all persons in public departments, from permanent heads downwards" that Government policy insist on the highest possible level of local content.

The Manufacturing Engineers Federation backs up the claims of the parent group and goes further: "The federation believes that every public purchase that is not awarded to a local supplier should need to be justified by the department concerned and that the department should know that all of its recommendations will be subject to this scrutiny."

At present, such scrutiny is provided by the Government Import Control Committee — a high-powered group of departmental heads including Treasury, Customs and Trade and Industry. Delegation is only allowed to go one step down the ladder.

The committee meets monthly on Wednesdays in the Government Stores Board offices to examine tenders involving overseas and local bids.

All overseas tenders have a New Zealand preference rate placed on them which acts as a form of duty. These rates are set by Cabinet and remain confidential.

But, if the overseas price is still below a competing local tender, the committee has the power to exercise a discretionary option which can take into account less tangible factors such as employment opportunities, foreign exchange savings, higher local content and so on.

For major overseas orders the foreign supplier can be asked to include New Zealand content, and list the intended local sub-contractors or suppliers. When only overseas tenders are invited for a major overseas purchase, the departments are asked to request extended credit or look to countertrade opportunities.

The committee, Mortimer said, exercises this discretion in favour of New Zealand suppliers more frequently these days, particularly as Government policy emphasises the need for foreign exchange savings.

For instance, problems can arise when tenders are received from a developing country such as South Korea, which has a developing nation tariff.

Armed with this lower tariff and low prices anyway, the developing nation supplier can place the local supplier at a disadvantage. In such cases, the committee would exercise its right to look at factors other than the price.

The procedures adopted by the board and the committee in evaluating tenders from overseas and local bidders have sufficient in-built safeguards to ensure New Zealand suppliers get a reasonable crack at the contract, Mortimer said.

Rollo agrees: "We have no beef with the tendering procedures used by the board. From the point of view of the engineers we are very happy with the actions that follow the decision to actually purchase some equipment.

"But we are concerned about the pre-purchase point where specifications are written and decisions made at departmental level."

For example, the writing of a specification direct from a sales brochure, supplied by an overseas company, is not uncommon. Rollo cites one instance in which an Education Department specification for wood lathes for high schools was written directly from material supplied by an overseas company.

Continued on Page 37

A COMPANY looking for Government business can have a head start over its competitors if it has an ex-departmental purchasing officer on its staff or as an agent.

Some of the advantages:

- The ex-civil servant has a technical knowledge of the tendering procedures and documents;
- They know how the specifications are written;
- They know other criteria that may not be laid down in the specifications. For example they might know that delivery time is critical and could warn their employer/client to start production in advance, although at some risk;
- They can know when contracts are coming up, what a particular department is doing, what sort of equipment it has, how much money it has to spend and likely future demand, giving the company a lead-time edge;
- They have personal contacts and influence. If retired, after lengthy service they will probably still drink with their old colleagues and get some secret gossip. They might well have helped appoint their successor;
- If they are retired on a pension, but still active, they are financially independent and better able to compete for employment with private-sector companies.

GOVERNMENT business can be good business either as a one-off job or a bread-and-butter contract over three or five years. As Stores Board secretary Bob Mortimer puts it: "The money's always good money."

But be warned that Government purchasing officers — including the board — will expect companies tendering for business to chop margins to the bone. For instance, for the GSB's own consumer contracts, the average price negotiated by the officials is about 20 per cent below wholesale.

But, Mortimer explains that, even if it only pays for the overheads, this increases the profits on other salaries.

Companies interested in tendering for Government business can contact Mortimer at the Stores Board outlining the product available.

The board will let the applicant know if the product is not being bought by Government departments. If it is a line used by any of the departments, the GSB will let the relevant department know of the company's interest or send the company a list of appropriate departments and purchasing officers.

The company will then go on a mailing list when any tender is called for that particular product. Tenders are also advertised in the major metropolitan dailies to ensure that no-one misses out. Says Mortimer: "Every company in New Zealand has the right to compete for Government business as a taxpayer."

Tender document security is rigid. The tender box at the Stores Board office in Wellington has two locks, with the keys held by two separate people. Not even Mortimer — the head of the department — can get into the tender box.

When the tenders are opened, each page is date-stamped and initialled by each opening officer and a full list of the tenders received is drawn up.

The tenders are summarised and scrutinised by technical experts before passing up to a final decision-making committee.

In essence, the GSB is playing the numbers game to avoid temptations or suspicion about procedures.

"We involve as many people as possible; a lot of people would have to be dishonest at once."

Construction industry

Cubitt abandons Auckland during confidence crisis

by Lindsey Dawson

THE withdrawal of Cubitts New Zealand Ltd from the construction business is indicative of the downturn in major building jobs, particularly in Auckland.

Cubitts, owned by the British Tarmac Corporation, will pull out when its Auckland Reserve Bank building contract is completed in a few months.

Cubitts will not comment on reasons for its withdrawal, but building industry sources say lack of confidence in this country's future is causing real problems in the building industry. The money for big building projects is just not forthcoming despite the availability of prime sites.

Building executives in Auckland are particularly concerned about the lack of big new jobs in the city, although there are sufficient smaller projects coming up to keep major contractors going.

Only one or two tower cranes loom over the city skyline. In Wellington you can count between 20 and 30.

Northern executives ask enviously why Wellington hosts such a building boom while bigger Auckland is in the doldrums, with nobody to put money into developing such real estate gems as the Great Northern site on the corner of Queen and Customs Streets, owned by the AMP, or the nearby Winstone's site which is up for sale by the National Mutual.

High construction costs are deterring would-be hotel developers, although half a dozen sites are being argued in the Auckland area. Hotels are more capital-intensive than office blocks, and the yields from the investment point of view are questionable, despite the revised government incentives, according to developers.

There are arguments about how badly Auckland needs big new hotels. Office space is at a premium and with no new big buildings on the drawing board at this stage prestige offices are becoming hard to find.

The recently completed OB3 building in the Downtown Centre, built by Mainzeal, is the biggest of three office blocks now in their final stages. Its 230,000 square feet of office space is either already taken or under option at rents varying from $7.50 to $9 per square foot a year. The Reserve Bank building will be filled by Government departments and the BNZ building will be taken up by the bank.

Firms looking for substantial floor space in a new Auckland building would now be hard pressed to find it.

In Wellington, with its large numbers of government departments and head offices, there is a steady flow of new *buildings being opened — to the* extent where some in the building industry feel that the capital city is heading for a glut of available space.

"In Auckland, where there is a steady demand for office space, no-one seems prepared to supply it. In Wellington — while there is certainly a demand — the supply is clearly going to grossly exceed it," one executive told *NBR*.

There are differences in costs between building high-rise properties in the two cities. Wellington land is slightly dearer because of geographical restrictions and building costs are fractionally higher because of seismic requirements. Rents in Wellington are substantically higher — companies will probably pay a dollar per square foot more for comparable space in Wellington than in Auckland.

Financial returns for developers are probably better in Wellington, but an oversupply situation might push rents down.

Wellington developers might be working on the theory that building now is better than later in an effort to beat inflation, even if it means that high-rise office space might lie idle for a year or two. It is a matter of walking the fine line between interest charges and inflation.

But even that type of thinking is not in evidence in Auckland. Said the manager of a building group: "Half of Queen Street is up for sale — what's lacking is the confidence in inner city development."

Continued from Page 36

A local supplier (which had previously been rejected because its lathes did not meet safety requirements laid down by the department although it passed Labour Department safety standards) noticed the technical description was becoming more sophisticated for "what is essentially a very simple tool for teaching basic skills".

Because of the improving environment between Manufacturers Federation officials and Government over such problems, the local manufacturer and Education Department produced a prototype incorporating the department's safety requirements.

The lathes are now being supplied by the local manufacturer, with a high level of local content. About $1 million in overseas exchange was saved.

Ironically, when the Education Department was looking abroad for its wood lathes, the local product was already in use in at least two overseas teaching institutions.

Rollo uses this example as an illustration of the improving relationship between industry and Government. There are others but there remains lingering concern over the knowledge of and commitment to local content by departmental officers writing specifications.

One manufacturers representative told *NBR* that specifications are often written by Government servants who have little technical knowledge of the item required. In such cases, sales literature is heavily relied on to supply the correct data.

If there is no data, a department will often write the specification from the item currently in use and the performance expected from it. One of our defence services did that recently — only to find some components were no longer in production.

When the equipment sought by a department incorporates high technology, the Stores Board watchdogs can be placed at a technical disadvantage. As with doctors wanting a new piece of equipment, who can argue with a scientist who demands a specific instrument?

The Stores Board tries to overcome some of these problems by running purchasing courses for departmental staff involved in buying and tender preparation, Mortimer said.

Certainly, with its staff of 35 (fewer than 1950), its resources are minimal and it relies heavily on other departments for back-up support.

In value terms, Government purchasing is big business — nearly $1 billion a year. The volume is high too. About one million local orders are placed by the departments each year.

About 50,000 written tenders are received by Government. And some 250,000 telephone tenders are called.

About 75 per cent of Government buying is made by four departments: the Ministry of Works, the electricity division of the Energy Department, the Post Office and Railways.

Looking for Moscow's Goldfinger and bedfellows

DOES Moscow have its own Mister Goldfinger to manipulate the country's gold sales? And if so, is he looking for a link-up with a most improbable bedfellow – South Africa? David Marsh and Anthony Robinson of the *Financial Times* examine the evidence.

DESPITE the cloak of mystery which covers Soviet gold sales, the organisation which locates, exploits and sells this most glamorous of metals is, on the surface at least, as prosaic as any other part of the Soviet industrial bureaucracy.

If the Soviet Union does have a "Mr Goldfinger", empowered to deal discreetly behind the scenes with South African counterparts or arrange direct sales to oil sheikhs, his identity is a closely guarded secret.

Ask a Swiss banker where to start the search and the answer is likely to be No 1 Schutzengasse, in the heart of Zurich's financial and banking district around the Bahnhofstrasse.

This is the home of the Wozchod Handelsbank, a wholly-owned Soviet bank set up in 1966 ostensibly to foster Swiss-Soviet trade. But it is widely believed among Zurich bankers that it keeps a close eye on the gold market and channels Soviet gold sales.

With a balance sheet of SwFr795 million ($NZ495 million) last year it was the 16th largest foreign bank in Switzerland, ahead of such capitalist heavy-weights as Chase Manhattan or Chemical Bank. Three members of the board are Swiss; the fourth man, Mr Samsonov, is Russian.

But it would be rash to presume from his rank and nationality alone that Samsonov is "Mr Goldfinger". The person, or people, engaged in the most sensitive operations would almost certainly hold much less exalted formal positions, as they do in embassies and trading organisations.

Strategic gold marketing decisions are almost certainly a function of a small group of specialists in Moscow itself, in liaison with the State Bank and Ministry of Foreign Trade.

The Soviet Union, the most enigmatic participant in the international bullion market, is not only a past master at keeping its cards close to its chest. It is also beginning to find that it holds all the aces.

By sending its tanks into Afghanistan last December, the world's No 2 gold producer itself provided the main impetus behind the January surge in the bullion price to $850 per ounce.

Since then, the Russians have held back supplies from the Western gold markets in an apparently deliberate attempt to hold up prices. This was one of the main factors – before the Iraq-Iran war – behind recent fresh gains in the bullion price.

Believing that gold remonetisation provides another basic support for the price, the Soviet authorities have been expressing discreet enthusiasm for the moves afoot in the West to rebuild a role for gold in central bank settlements through the European Monetary System.

According to some London bullion dealers, it has been this effective re-monetisation of the metal as much as fear of "World War III" that has accounted for the trebling in the price during the past 20 months.

Now there are tentative indications that as part of its efforts to improve control of prices, Moscow may be interested in some kind of informal marketing collaboration with a country that at first sight looks a strange political bedfellow – Right-wing South Africa, the world's premier gold producer.

Such a link might not, in fact, be so odd. The two countries already co-operate informally in selling diamonds to the West. As the two main producers of platinum there have also been rumours of an informal joint strategy for sales of this metal.

Any collaboration over gold sales would add a new dimension to the gold market. But both countries are already following broadly similar policies.

With its balance of payments position now much improved, South Africa no longer needs to sell all its gold production on to the market at once. In recent months it has switched to a policy of withholding quite considerable amounts in order to bolster prices.

Details about the Soviet Union's gold sales policy have always been a well-guarded secret. Western analysts in touch with Moscow say that only two or three people in Russia enjoy access to full information about annual production and sales.

The Soviet sales strategy has this year presented the gold market with a bigger puzzle than normal. According to statistics issued by the customs authorities in Switzerland – the country which acts as Moscow's main outlet for sales to the West – Russian gold exports in the first seven months this year have fallen to about five tonnes, from 2[illegible] tonnes in the whole of 1979, and 401 tonnes in 1978.

According to one top dealer at a London bullion house, "the Russians are moving in more mysterious ways than they used to".

The Swiss figures show that the last delivery of Soviet gold to Zurich was made in January. They also reveal that the Russians withdrew about three tonnes of gold from Switzerland in April.

This adds credence to some bullion dealers' suggestions that Moscow has occasionally entered the market to buy gold in order to bolster prices.

The Swiss figures have long provided Western gold analysts with their main indication of Soviet marketing strategy. It is thought that hardly any Soviet gold comes on to the market via London, the other main international trading centre.

Some gold analysts in London and Zurich believe that the Soviet Union has been diverting a small amount of this year's supplies to other markets.

The consensus in London and Zurich is that the Soviets are deliberately holding back supplies in anticipation of still higher prices later on this year.

Could the stage be set for some kind of loose collaboration between the two major producers over the way that gold is channelled to the West?

The gold market has learnt that officials of Consolidated Gold Fields, the London-based mining finance house in which De Beers and Anglo American Mining Corporation own significant holdings, have been in contact with the Soviet authorities with a view to possible co-operation.

According to a key Soviet-watcher at one London bank: "If they simply agreed that no one rocked the boat, that would be a big step for the gold market".

Titivated Toyota tops the four-cylinder market

by Peter Murray

TOYOTA's Cressida – which became noticeable on our roads last year – was aimed directly at the vacated Triumph executive company market. Competition to it included the top Cortinas and not much else.

The concept of the Cressida was new to the "downsizing" motorist of New Zealand.

It offered a car with a two-litre motor, piled with all sorts of goodies, and Toyota hoped it would attract a significant number of buyers.

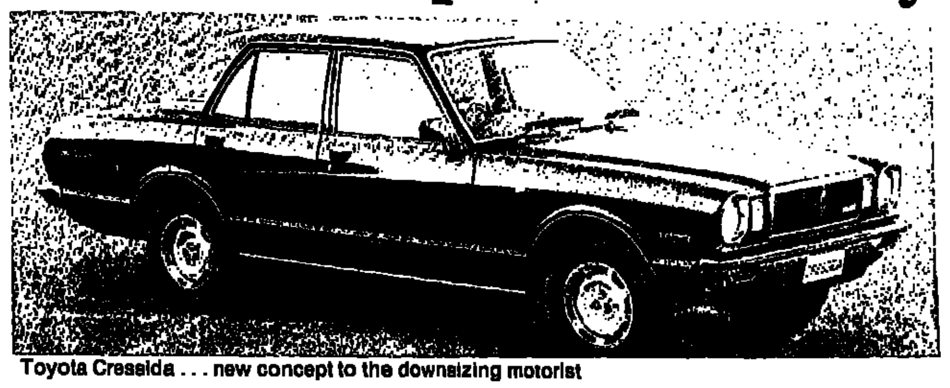
The local sales tax structure made attractive the decision to offer only a sub-2000cc four, enabling a pricing scale that would give Toyota room to offer as many extras as possible as standard while maintaining a reasonable retail price. It made available a car that was above the run-of-the-mill fours, yet below the new sixes.

The approach has worked. Sales averaged 160 a month for some time.

Before the introduction of the Cressida, the Corona range was downsized and given more economical 1800cc motors to replace the 2000cc unit. This 2000cc motor is used to power the Cressida.

Toyota cars have been on the crest of a popularity wave this year, reaching an 18 per cent share of the market at mid-year, enough to give them number three status for registration to June 1980.

Recent arrivals on the new car market however, have toughened competition for the Cressida. Revised Cortinas and four-cylinder Holden Commodores with up-to-date features and styling may slow Cressida sales.



Toyota Cressida . . . new concept to the downsizing motorist

The Cressida is specially suited to the buyer who seeks comfortable seats, plush interior trimmings, economy, smooth performance, typical Japanese styling and extras crammed to the roof. For those interested in performance – towing ability, better-than-minimal handling characteristics and modern basic design – the Cressida will be the wrong choice. It is aimed at a specific sector of the market where the qualities of radial-tuned suspension, six cylinders, 1980s styling and so on are of no tangible benefit to the driver.

The interior is presented to give a feeling of opulence. The seats are covered in cloth with a distinctive button effect. They are well padded front and rear. The floors and back are decked with top-quality carpets.

All conceivable extras are fitted, including a stereo cassette system, interior boot and petrol cap release and power aerial.

Driving the car revealed the major weaknesses that has limited sales. The two-litre motor is adequate for most driving situations. Response was even, surprisingly brisk at times but when towing a boat or caravan, the Cressida is likely to be straining.

The power steering takes most of the effort out of manoeuvering this large four-cylinder vehicle, but does little to improve the basic handling ability. Steering is vague, cornering is for slower speeds and body roll is marked if pushed.

These deficiencies would not be a problem for average drivers, and the more enthusiastic types would probably be into the Commodore market.

Overall the Cressida is comfortable, has curious styling, conservative engineering, and has a competitive current price of $13,000.